ADAMS ACCOUNTING
CHARTERED ACCOUNTANTS/BUSINESS ADVISORS/TAXATION SPECIALISTS

Farming Business Newsletter **June 2023**

Farm Management Deposits (FMD)

The FMD scheme is a risk management tool to help primary producers deal with uneven cash flows.

FMD's allow primary producers to claim a tax deduction for a deposit you make in the income year you make it. This is provided you do not withdraw it within 12 months of making the deposit.

When you withdraw the FMD, you must include the amount withdrawn in your taxable income in the year of the withdrawal.

The maximum amount you can have deposited is $800,000, and your non-primary production income must be less than $100,000.

Inside This Issue

Year-end tax planning tips

1. Defer receipts of income until after 30 June 2023
2. Accelerate deductions into the current year – this could mean buying plant/equipment items.
3. Scrap obsolete trading stock
4. Scrap obsolete items of plant & equipment – look at your depreciation schedule from last year and note the items you no longer have/use and provide with your other information
5. Write off bad debts – but you can still chase them
6. Defer sales of capital gains tax assets until after 30 June 2023
7. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2023 that will be consumed by your business in the new financial year (it is important to only prepay financially reliable suppliers).
8. Contribute an amount to your super fund – for details of the maximum you can contribute see our article below about concessional contribution caps.

Each taxpayer's circumstances are different and for this reason we suggest you contact us first before making any decisions.

Concessional superannuation (tax deductible) contributions cap

For the 2022/23 year, the concessional contributions cap is $27,500.

If you have a salary sacrifice agreement with your employer, make sure that you will not go over your appropriate cap in the 2022/23 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax rate.

Small Business Tax Offset rate increases

The small business income tax offset can reduce the tax you pay by up to $1,000 each year.

In 2022/2023, the rate of the offset is 16%. This means that you will accumulate the $1,000 tax offset with a lower taxable income.

Income year	Aggregated turnover threshold	Rate of offset	Maximum offset
2019–20	$5m	8%	$1,000
2020–21	$5m	13%	$1,000
2021–22 onwards	$5m	16%	$1,000

Company Tax Rate Reduced

Income year	Aggregated turnover threshold	Tax rate for base rate entities
2019–20	$25m	27.5%
2020–21	$50m	26%
2021–22 onwards	$50m	25%

Motor vehicle deduction – cents per kilometre rate increases

The cents per kilometre rate has increased to 78c for the 2022-2023 year, which can be claimed for up to 5000km.

Rate of Superannuation Guarantee increases from July 1st 2023

Employers will be **required to contribute 11%** as part of their superannuation guarantee obligations to employees from the 1st July 2023. This is an increase of 0.5% from the previous rate of 10.5%. The rate will continue to rise by 0.5% over the next 2 years until it reaches 12% by 2025.

Changes to the work test for super contributions from July 1st 2022

From 1 July 2022, non-concessional contributions can be made by those up to the age of 75 without needing to meet the work test, subject to existing contribution cap limits.

Catch up concessional contributions

Individuals who contributed less than $25,000 in concessional contributions in the previous 2 financial years can accumulate those unused amounts for use in future years. Unused cap amounts are available for a maximum of **five years.**

Example: if you made concessional contributions of $10,000 in the 2019/2020 year and $5,000 in the 2020/2021 year, and $27,500 in the 2021/22 year, $35,000 of unused contributions will be brought forward to the 2022/2023 year, allowing you to contribute up to $62,500 (2023's limit of $27,500 + the unused contributions)

***Note** – Individuals must have a super balance **less than $500,000** at the end of the previous financial year to be eligible for catch up concessional contributions.

Non-concessional (non- tax deductible) super contributions

Taxpayers can make up to $110,000 in non-concessional contribution to their superfund in 2022/23 year.

Taxpayers under 75 years of age can also access the 3 year $330,000 bring forward cap.

<u>**BEFORE YOU MAKE A CONTRIBUTION CONTACT US TO VERIFY YOUR ELIGIBILITY.**</u>

Temporary full expensing - asset write-off limit is changing!

Eligible small businesses with an aggregated **turnover under $5 billion** can now immediately deduct the full value of the business portion of any asset purchased from 6th October 2020 through to 30th June 2023.

From 1 July, 2023 the instant asset write-off threshold has been temporarily extended to $20,000 (GST exclusive) until the 30/6/2024 for small businesses with an aggregate turnover of less than $10 million pa.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year after that.

This deduction applies to each asset, whether new or second-hand. The deduction is claimed through the income tax return in the year the asset was purchased. **Due to end 30/06/2024.**

Businesses with **turnover of more than $10 million** will go back to depreciating assets that cost more than $300 over the estimated life of the asset.

ATO's guide – Before you hire your first worker

The ATO have released a handy 6-step guide for things you are required to do as a business before hiring your first worker.

1. Set up 'Online Services for business'
2. Confirm your business has STP-enabled software
3. Register for Pay As You Go (PAYG) Withholding
4. Set up the business to pay superannuation
5. Understand (and if necessary) register for State Payroll Tax
6. Register for Fringe Benefits Tax (FBT) if necessary

The ATO's guide with more detail on each of the steps can be found here

https://www.ato.gov.au/Business/Engaging-a-worker/Before-you-hire-your-first-worker/

Car cost limit increased

The car cost limit applies to passenger vehicles (except a motorcycle or similar vehicle) designed to carry a load less than one tonne and fewer than 9 passengers. The limit caps the amount of depreciation and GST credits claimable on vehicle purchases.

The car cost limit is $64,741 for the 2022–23 income year.

Vehicles that have greater than a one tonne carrying capacity (also known as the payload capacity) are not classified as a 'car' and therefore are not subject to the car cost limit rules. This means that the full value of the business portion of these vehicles can be depreciated, and GST credits can be claimed.

Family Assistance claims

Families that chose to wait until the end of the financial year to claim their FTB entitlement or Child Care Benefit will **need to have your 2022 return lodged by the 30/06/2023** so that you can claim any Centrelink entitlements in time.

Low-income tax offset

In the 2022/23 year the low-income tax offset is a maximum of $700 for those who earn less than $37,500.

Between $37,501 and $45,000, you will get $700 less 5 cents for each dollar above $37,500.

Between $45,001 and $66,667, you will get $325 less 1.5 cents for each dollar above $45,000.

Lodgement penalty amnesty program

Small businesses with an aggregated turnover of less than $10 million are given amnesty for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 28 February 2022.

Now is the time to get your lodgements up to date.

Changes to casual employment

Recent amendments to the Fair Work Act 2009 change the workplace entitlements and obligations for casual employees.
The Fair Work Act has been amended to include a:

- Casual Employment Information Statement (CEIS)
- Definition of casual employment
- Pathway for casual employees to become full-time or part-time (permanent).

Small business employers need to give every new casual employee the CEIS before, or as soon as possible after, they start their new job. Employers also need to give their existing casual employees a copy of the CEIS. Please use the following link for a PDF version of the CEIS.

https://www.fairwork.gov.au/ArticleDocuments/724/casual-employment-information-statement.pdf.aspx

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2022-23 year with the maximum government co-contribution being $0.50 for every $1 personally contributed. The maximum co-contribution of $500 is available to taxpayers who earn less than $42,016 and contribute $1,000.

Above this income amount, the maximum co-contribution will be reduced by 3.333 cents for each dollar of income earned and to phase out completely when income reaches $57,016.

How much could I get?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
$42,016	1,000	500
$42,016	600	300
$48,016	1,000	300
$48,016	600	300

IMPORTANT NOTE:

If you believe you would be eligible for the Government Co-Contribution, make sure your contribution is made to your fund by 30 June. Therefore, you should aim to pay it by 20th June.

Safe Tax

We are again offering our safe tax audit fee protection cover.

This small tax-deductible cost covers **all** types of audits that taxpayers can be subjected to and provides you with the **peace of mind** that it will not cost you any extra in accounting fees to have us manage your audit.

History shows that the cost to prepare the required audit documentation can range anywhere from $1,000 to $5,000 plus, and this may be more depending on the complexity and type of audit involved.

The ATO have developed small business benchmarks for over 100 different small businesses which it uses to select businesses for audit.

It is to your advantage to take up Safe Tax as soon as possible. *Cover begins from the date of payment through to 30th June 2024*.

If you have taken Safe Tax cover before, we will be sending you an invoice for 2023/24 cover in June.

If you are interested in Safe Tax cover, please contact our office.

In addition to this, there are also several measures which you can take to minimise the risks and costs in the event of an audit.

These include:

- Keeping all work-related expense receipts in a secure place for five years.
- Remember to inform us if you own shares which have dividends that are reinvested under a dividend re-investment plan. These dividends are taxable as income.
- If you are claiming work related travel up to 5,000 kilometres, keep a written record of trips which you have undertaken

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Livestock on hand record as at 30/6/2023

Farm entity name: ……………………………………………………………… (eg - A & S Farmer)

In order to assist farmers when collecting information for their income tax returns we have prepared a livestock account checklist, which is set out below.

The best time to fill out this form is **as soon as possible after 30 June.**

Please complete and return this form with your tax information. If you want to, you can email or drop this form into our office once completed.

Farmer Name:

Farmer livestock account for the year ended 30/6/2023

	Number of head **Cattle**	**Number of head** **Sheep**	**Number of head** **Other** (specify)
Deaths			
Killed for rations			
Natural increase			
Closing stock			

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