

## Farm Management Deposits

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When you withdraw the FMD, you must include the amount withdrawn in your taxable income in the year of the withdrawal.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



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## Year-end tax planning tips

1. Accelerate deductions into the current year – this could mean buying small plant/equipment items worth less than \$150,000 per item – see below
2. Scrap obsolete trading stock
3. 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
4. Write off bad debts
5. Defer sales of capital gains tax assets until after 30 June 2020.
6. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2020 that will be consumed by your business in the new financial year (only prepay financially reliable suppliers).
7. Contribute an amount to your superannuation fund – for details of the maximum you can contribute see our article on page 2 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

From 1 July 2017, most people under age 75 can claim a tax deduction for personal superannuation contributions. The maximum tax-deductible contribution for the 2019/20 year is \$25,000.



## **Non-concessional (non-tax deductible) super contributions**

Taxpayers under the age of 65 years can make up to \$100,000 in non-concessional contribution to their superfund in 2019/20 year provided their super fund balance is not over \$1,600,000. They may also be able to use the 3 year \$300,000 bring forward cap. Taxpayers over 65 years of age will need to meet the work test (work or be self-employed for 40 hours in any 30-day period during the financial year) and their super balance needs to be below the \$1,600,000 cap.

## **Carry forward concessional contributions allowed from 1 July 2019**

From 2018/2019, individuals who contributed less than \$25,000 in concessional contributions can accumulate the unused amounts for use in future years, meaning that this year is the first year of the increased cap.

**Example:** if you made concessional contributions of \$10,000 in the 2018/2019 year, \$15,000 of unused contributions will be brought forward to the 2019/2020 year, allowing you to contribute up to \$40,000.

**Note** – *Individuals must have a super balance less than \$500,000 at the end of the previous financial year to be eligible. Any unused amounts will expire after 5 years.*

## **Private Health Insurance (PHI) rebate means tested**

You need to advise your PHI organisation of your estimated income for 2020-21 year so that the correct rebate amount is paid by the government over the next twelve months. Once the ITR is lodged, if the ATO see that you have overestimated your income, you will receive a refund for the overpaid premium amount via your notice of assessment (NOA).

If you have underestimated your income (and therefore received more of a PHI rebate than you should have) you are liable to payback the excess to the ATO once your ITR is lodged and it will show on your NOA of funds paid for underpaid premiums.

## **Downsizing your home? You can put the proceeds in to super.**

Many Australian retirees find they want a smaller home as they get older. For some Australian, selling the family home can be a great way to release built-up equity to pay for retirement living expenses or in-home support that will allow them to stay at home longer.

Older Australians are the people targeted by the governments law to allow homeowners aged 65 years or over, to downsize their family home and invest the surplus into their super account.

From 1 July 2018, Australians aged 65 years or older will be able to make a non-concessional (after tax) contribution in to their super account of up to \$300,000 from the proceeds of their family home if they have owned the property for at least 10 years.

The home must be your main residence and couples can contribute up to \$300,000 each, bringing the total contribution up to \$600,000 per couple.

**Note 1** – to be eligible, downsizer contributions must be made within 90 days of the settlement date of sale.

**Note 2** - You can only make downsizing contributions for the sale of one home. You can't access it again for the sale of a second home.

**Note 3** - If you sell your home, are eligible and choose to make a downsizer contribution, there is no requirement for you to purchase another home.



## **Instant asset write-off increased to \$150,000!**



Small businesses can now immediately deduct the business portion of most assets purchased from 12<sup>th</sup> March 2020 up to the value \$150,000 (net of GST) through until 30<sup>th</sup> June 2020.

The government have announced that this scheme will continue until 31<sup>st</sup> December 2020!

This deduction applies to each asset that costs less than \$150,000, whether new or second-hand. The deduction is claimed through the income tax return in the year the asset was purchased.

### **Small business pool write-off for balances less than \$150,000**

If the balance of your small business pool of equipment/vehicle assets was less than \$150,000 at the 30<sup>th</sup> June 2019, you will be able to deduct the full pool balance in this financial year, potentially saving a considerable amount of tax!

### **Superannuation guarantee amnesty**

An amnesty exists until the 7<sup>th</sup> September 2020 which give a one of chance for employers to catch up on outstanding super contributions for their employees and avoid penalties & a loss of tax deduction. If you are in this situation you need to call us immediately.

### **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 2019 return lodged by the 30/6/2020** so that you can claim any Centrelink entitlements in time.

## **Accelerated depreciation rules for new asset purchases from 12<sup>th</sup> March 2020!**

Through until **30<sup>th</sup> June 2021**, brand new asset purchases that don't qualify for the immediate write-off (\$150,000) can deduct 50% of the asset's cost upon installation, with existing depreciation rates applying to the balance of the asset.

For example, the purchase of a tractor to the value of \$210,000 will result in;

- a 50% deduction of \$105,000, plus;
- a 15% deduction on the remaining asset value for businesses using the small business pool rules (\$105,000 x 15% = \$15,750)
- In total, **\$120,750 depreciation**

This equals an overall deduction of 57.5% of the assets value **in the first-year asset is purchased.**

***Note:** this measure only applies to new depreciating assets (not second-hand) first used or installed ready for use between 12 March 2020 – 30 June 2021*

### **Employers – reconcile your wages in your June BAS**

Prior to lodging your June 30<sup>th</sup> BAS statement, it is **EXTREMELY IMPORTANT** that you take the time to cross check the totals of employee gross wages including any allowances and tax withheld in your wages records against the totals of the amounts you have reported for that financial year in your BAS's at W1 (Gross employee wages including allowances) and W2 (tax withheld from employee wages).

If there are any differences you need to go back and find out why **prior to sending off your June Quarter BAS and preparing your employee PAYG Summary Statement for that year.**

#### **Why?**

The ATO runs a matching process to make sure that data lodged through W1 & W2 on your BAS equals the amounts shown on your employee PAYG summaries. Any discrepancies can trigger an ATO audit enquiry and/or amendment with penalties for any underpaid amounts.

## Pay your employees superannuation on time or you lose the tax deduction

### Did you know?

As a business, if you do not pay your employee superannuation guarantee contributions by the quarterly cut-off date, you are not able to claim a tax deduction for the superannuation amount!

Late payments also attract penalties and interest!

To be able to claim a full tax deduction for the payments, they must be paid and received by the superannuation fund by the quarterly cut-off dates below:

Quarter	Period	Payment cut-off date
1	Quarter end 30 Sept	28 October
2	Quarter end 31 Dec	28 January
3	Quarter end 31 March	28 April
4	Quarter end 30 June	28 July

## Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2019-20 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 \$38,564 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 \$53,564.

### How much could I get?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
\$38,564	1000	500
\$38,564	600	300
\$45,000	1000	285
\$45,000	600	285

### IMPORTANT NOTE:

If you believe you would be eligible for the Government Co-Contribution, make sure your contribution is made to your super fund by 30 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 2021.*

If you have taken Safe Tax cover before, we will be sending you an invoice for 2020/21 cover in June.

If you are interested in Safe Tax cover, please contact Trish at 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 30/6/2020**

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

This year, 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 30/6/2020**

	<b>Number of head</b>
Deaths	<input type="text"/>
Killed for rations	<input type="text"/>
Natural increase	<input type="text"/>
Closing stock	<input type="text"/>

**WHERE TO FIND US**

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