Top Tax Tips 2022

1. Write-off bad debts

To be a bad debt, you need to have brought the income to account as assessable income and given up all attempts to recover the debt. It needs to be written off your debtors' ledger by 30 June. If you don't maintain a debtors' ledger, documenting the write-off is a good idea or in the case of a company, a director's minute confirming the write-off is a good idea.

2. Prepaying expenses

Certain payments made in advance can give instant tax deductions, for example, annual premiums and memberships

3. Review your asset register and scrap any obsolete plant

Check to see if obsolete plant and equipment is sitting on your depreciation schedule. Rather than depreciating a small amount each year, if the plant has become obsolete, scrap it and write it off before 30 June. Small business entities can choose to pool their assets and claim one deduction for each pool. This means you only have to do one calculation for the pool rather than for each asset.

4. Bring forward repairs, consumables, trade gifts or donations

To claim a deduction for the 2021-22 financial year, consider paying for any required repairs, replenishing consumable supplies, trade gifts or donations before 30 June.

5. Pay June quarter employee super contributions now

Pay June quarter super contributions this financial year if you want to claim a tax deduction in the current year. The next quarterly superannuation guarantee payment is due on 28 July 2022. However, some employers choose to make the payment early to bring forward the tax deduction instead of waiting another 12 months.

6. Maximise your own super contributions now

Don't forget yourself. Superannuation can be a great way to get tax relief and still build your personal wealth. Your personal or company sponsored contributions need to be received by the fund before 30 June to be deductible.

7. Realise any capital losses and reduce gains

Neutralise the tax effect of any capital gains you have made during the year by realising any capital losses – that is, sell the asset and lock in the capital loss. These need to be genuine transactions to be effective for tax purposes.

8. Raise management fees between entities by June 30

Where management fees are charged between related entities, make sure that the charges have been raised by 30 June. Where management charges are made, make sure they are commercially reasonable and documentation is in place to support the transactions. If any transactions are undertaken with international related parties then the transfer pricing rules need to be considered and the ATO's documentation expectations will be much greater. This is an area under increased scrutiny.

9. Directors' fees and employee bonuses

Any expected directors' fees and employee bonuses may be deductible for the 2021-22 financial year if you have 'definitely committed' to the payment of a quantified amount by 30 June 2022, even if the fee or bonus is paid to the employee or director after 30 June 2022.

10. Declare dividends to pay any outstanding shareholder loan accounts

If your company has advanced funds to a shareholder or related party, paid expenses or allowed a shareholder or other related party to use assets owned by the company, then this can be treated as a taxable dividend. The regulators expect that top-up tax (if any applies) should be paid by shareholders at their marginal tax rate once they have access to these profits. This is unless a complying loan agreement is in place.

If you have any shareholder loan accounts from prior years that were placed under complying loan agreements, the minimum loan repayments need to be made by 30 June 2022. It may be necessary for the company to declare dividends before 30 June 2022 to make these loan repayments.

11. Investment properties

If you own a rental property, do you have a tax depreciation report? These reports can often identify more deductions for the property.

12. Temporary full expensing

Temporary full expensing enables your business to fully expense the cost of:

- New depreciable assets
- Improvements to existing eligible assets, and
- Second hand assets

in the first year of use.

This measure enables an asset's cost to be fully deductible upfront rather than being claimed over the asset's life, regardless of the cost of the asset. The last day to utilise the expensing measures is 30 June 2023 at which point, normal depreciation arrangements will apply.

Certain expenditure is excluded from this measure, such as improvements to land or buildings that are not treated as plant or as separate depreciating assets in their own right. Expenditure on these improvements would still normally be claimed at 2.5% or 4% per year.

The car limit will continue to place a cap on the deductions that can be claimed for luxury cars $60,733 in 2021-22 and $64,741 in 2022-23).

Remember though, don't needlessly spend money chasing tax deductions. When spending your hard-earned dollars, tax should always be a secondary consideration. Always ask yourself "Do I really need this?".

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