



2020 Year-end Tax Planning

Individuals

Item	Details	Comments
Deductions	<i>Bring forward deductions before 30 June 2020 to reduce your assessable income</i>	<ul style="list-style-type: none">Income protection insuranceProfessional membershipsDeductible donationsWork related expenses (WRE's) – a word of caution – these deductions are being targeted by the ATO, so exercise care by making sure the deductions are valid before incurring any such expenditure.Personal superannuation fund contributions – see Maxim's separate Superannuation document.
Home office expenses	<i>If you worked from home during the COVID19 restrictions, there are some additional work related expenses that you can claim for tax.</i>	<ul style="list-style-type: none">Retain details of all work related expenses from 1 March 2020 until you returned to work at your office, i.e. phone, internet, computer consumables and stationery. The ATO has provided three alternative ways to calculate work related deductions, and this is so that you can work out which way best suits you to calculate your deduction.
Investment properties	<i>Income and expenses</i>	<ul style="list-style-type: none">Make all payments before 30 June 2020 and retain records of all income and expenses for 2020.
	<i>Prepaying interest</i>	<ul style="list-style-type: none">If you have available cash, you may consider prepaying interest for the 2021 year on loan/s used to acquire your rental property (Note: This can be applied to all/any other income producing assets).
	<i>Depreciation</i>	<ul style="list-style-type: none">From 9 May 2017 depreciation can only be claimed for the following:<ul style="list-style-type: none">Properties owned on this date, based on a Property Depreciation Report;New assets purchased for properties purchased before and after this date; andNewly constructed properties acquired after this date, based on a Property Depreciation Report.
Capital gains tax	<i>Bring forward capital gains/losses to 2020 or defer to 2021, depending on your personal tax profile.</i>	<ul style="list-style-type: none">Capital gains are determined on the date the relevant contract is entered into.If you are considering selling assets, i.e. shares, fixed property, etc. you should consider whether you wish to either bring forward the gain or loss into the 2020 year, or defer the gain or loss to the 2021 year.
Donations	<i>Bring forward donations you intend to make to deductible gift recipients (DGR's) before 30 June 2020 to reduce your assessable income</i>	<ul style="list-style-type: none">Ensure that the donation/s are made by 30 June 2020 and the certificate you obtain is dated on/prior to this date.



Superannuation		
<i>Item</i>	<i>Details</i>	<i>Comments</i>
Concessional Contributions	<p><i>Maximize your 2020 contributions</i></p> <p><i>Carry—forward unused 2019 concessional contributions to 2020</i></p> <p><i>Contribution splitting allows a member to split up to 85% of their annual concessional contributions to their spouse</i></p>	<ul style="list-style-type: none"> • This is the last chance to top up your concessional contributions to the \$25,000 cap that applies to all individuals. • You can top up to this cap in either of the following ways: <ul style="list-style-type: none"> • Salary sacrifice (via your employer); or • Personal contributions that you make directly and can claim as a personal tax deduction, note that you will need to advise your superfund prior to making these contributions so that they are correctly recorded as concessional contributions. • <i>Note:</i> All contributions must be received by your superannuation fund by 30 June 2020. • If your fund balance was less than \$500,000 on 30 June 2019 and you contributed less than \$25,000 to your super in the 2019 year, you can contribute the shortfall by 30 June 2020, i.e. this contribution can be made in addition to the \$25,000 cap you can contribute for 2020. • This can be a useful strategy to manage super balances between spouses, particularly when one spouse's balance is close to the \$1.6m threshold that limits non-concessional contributions to their fund. • It also provides a way for a non-working spouse to accumulate superannuation.
Non Concessional Contributions	<i>Maximise your 2020 contributions</i>	<ul style="list-style-type: none"> • This is the last chance to contribute up to the annual \$100,000 cap or 3-year \$300,000 cap utilizing the 'bring forward strategy'. Careful consideration is required if your fund balance is \$1.4m or above.
Superannuation Pension Drawings	<p><i>Draw at least the minimum pension by 30 June 2020.</i></p> <p><i>Note: In March 2020 it was announced that the minimum pension for the years ending 30 June 2020 and 2021 was reduced by 50%.</i></p>	<ul style="list-style-type: none"> • You should calculate your new (reduced) minimum pension withdrawal to work out if you still need to draw to meet the minimum. We can assist to calculate the new minimum pension that you must withdraw by 30 June 2020. • If you have already withdrawn more than the new reduced minimum pension then you may only contribute that excess back to the fund if you can do so under the existing contribution caps and criteria.

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2020 Year-end Tax Planning

Businesses

Sole traders, Companies and Trusts

<i>Item</i>	<i>Details</i>	<i>Comments</i>
<i>Pre year-end expenditure</i>	<p><i>Consider whether any business expenditure can be brought forward prior to 30 June 2020.</i></p> <p><i>Even if you do not have the cash flow to pay pre-year end expenditure before 30 June, you can request your suppliers to invoice you on 30 June 2020 for all goods and services supplied by that date.</i></p>	<ul style="list-style-type: none">• Relevant for the following expenses:<ul style="list-style-type: none">• Professional and association membership fees and similar subscriptions for 2021.• Professional advisors services provided by 30 June 2021.• For those businesses with a 30% or the reduced 27.5% tax rate in 2020, the tax rate may reduce to 26% in 2021, meaning that it may be useful if you can bring forward deductions for 2021 expenditure to 2020.
<i>Prepayments for next year's expenditure</i>	<p><i>Review expenditure budgeted for the 2021 year and consider whether your cash flow allows for payment to be made before 30 June 2020.</i></p>	<ul style="list-style-type: none">• Small business entities may pre-pay 2021 expenses and claim a deduction in 2020.• For those businesses with a 30% or the reduced 27.5% tax rate in 2020 the tax rate may reduce to 26% in 2021, meaning that it may be useful if you can bring forward deductions for 2021 expenditure to 2020.
<i>Pre year-end invoicing</i>	<p><i>Where practical small businesses may consider deferring customer invoicing or cash receipts (depending if accounting on the accruals or cash basis).</i></p>	<ul style="list-style-type: none">• For those businesses with a 30% or the reduced 27.5% tax rate in 2020, the tax rate may reduce to 26% in 2021, meaning that it may be useful if you can defer deriving income to 2021.
<i>Bad debts</i>	<p><i>Review your trade debtors listing and write off any bad debts before 30 June 2020.</i></p> <p><i>You can also claim back any GST you have previously charged and declared to the ATO on these bad debts.</i></p>	<ul style="list-style-type: none">• A deduction can be claim in 2020 for any bad debts actually written off by 30 June 2020.• Note: Bad debts cannot be claimed for a provision for bad debts nor where there has been a change in ownership or control of a company or trust, unless the similar/same business test is passed.
<i>Year-end stock take/Work in progress</i>	<p><i>If you are a small business entity stock valuation is not required unless the stock value has moved by >\$5,000 from 1 July 2019.</i></p> <p><i>Otherwise, you should review your stock lists and write off any obsolete or worthless stock.</i></p>	<ul style="list-style-type: none">• Where applicable, you may wish to bring forward a deduction for any obsolete or worthless stock to 2020.
<i>Employee Superannuation Payments</i>	<p><i>To claim a tax deduction in 2020 you need to make sure that your employee superannuation payments have cleared your bank account by 30 June 2020.</i></p>	<ul style="list-style-type: none">• For any last minute superannuation payments for 2020 you could arrange for a bank cheque made payable to your employees' superfund prior to 30 June 2020.



Item	Details	Comments
Employee Bonus Plans	<i>Deductions are not available for accrued bonuses unless all steps have been taken by 30 June 2020 for employees to legally qualify for payment of the bonus by that date, i.e. year-end.</i>	<ul style="list-style-type: none"> If your bonus plan is based on financial results for the 2020 year and the targets have been met, if any board approval or other processes are required to create the legal liability to pay the bonus, consider whether these should be taken by 30 June 2020 to make sure accrued bonuses are deductible in the 2020 year.
Fixed assets - Small Business Entity (SBE) tax depreciation - asset acquisitions <\$30,000, <\$150,000 and <\$1,000 - from 1 July 2020 until 30 June 2021 – certain asset acquisitions >\$1,000	<i>Immediate deduction for SBE's for assets costing:</i> <ul style="list-style-type: none"> < \$30,000 if acquired on/after 2 April 2019 until 11 March 2020 <\$150,000 if acquired from 12 March until 30 June 2020 <\$1,000 if acquired from 1 July 2020 <i>May be entitled to claim a 57.5% depreciation deduction for new assets added to your small business pool.</i>	<ul style="list-style-type: none"> Small Business Entities (Aggregated turnover <\$10m) can claim an immediate deduction for assets acquired before 30 June 2020 as indicated. Note that from 1 July 2020 the instant asset write off reverts to \$1,000. Note that the assets must be new, used or installed by 30 June 2021, and you must not have committed to acquiring the asset prior to 12 March 2020.
Capital gains	<i>Have you made a capital gain? If you have, have you considered whether the small business CGT concessions can apply or whether it may be appropriate to crystallise any capital losses?</i>	<ul style="list-style-type: none"> Consider reviewing all capital gains to determine whether any of the small business CGT concessions can possibly be applied, particularly as there are a number of requirements to be met, some of which will need to happen during the 2020 year, including, considerations regarding the distribution of income within a group and ultimately to the controlling individuals.
Taxable payments annual report (TPAR)	<i>Effective 1 July 2019 this reporting was extended to contractor payments for road freight services, IT services, and security investigation or surveillance services.</i> <i>This reporting is also required for building and construction, cleaning, courier services.</i>	<ul style="list-style-type: none"> Annual reporting for the year ended 30 June 2020 is due to the ATO by 28 August 2020.
GST and PAYG instalments and withholding	<i>Please ensure that all your business activity statements are up to date.</i> <i>Consider asking the ATO to defer payments, or for low interest payment plans.</i>	<ul style="list-style-type: none"> Please contact us should you require any assistance to complying with any ATO lodgment deadlines, or request an extension of time to lodge and make payment. Consider if you are needing to defer payments or request payment arrangements to settle ATO liabilities. Note: The ATO has indicated that it will not defer PAYG withholding payments.
Companies		
Pre Year end Board initiatives	<i>Have you considered all of the resolutions that the board should be making pre year-end? These can include solvency declarations and reporting decisions and in the case of trustee companies, determining who should receive the income distributions.</i>	<ul style="list-style-type: none"> Good housekeeping with contemporaneous documentation. Some of these are required by ASIC pre year-end to prevent audited accounts being required.

Item	Details	Comments
Franking dividends	<i>Franking credits for 2020 dividends may be limited to 27.5% where a company is a Base Rate Entity (BRE) based on its 2019 year. This can apply even though the company's income tax rate is 30% for the 2020 year.</i>	<ul style="list-style-type: none"> • Franking credits attached to dividends may reduce to 27.5% from 30% notwithstanding tax paid to give rise to those credits was at 30%. • Recommend that for 2020 planning purposes the BRE calculation is reviewed or calculated (if this has not already been done) for the 2019 year so that you can confirm the franking rate that applies to 2020 dividends.
Timing of dividends	<i>You may consider paying dividends by 30 June 2020 so that the shareholders derive the dividend income in the 2020 year, particularly relevant where shareholders have losses or are otherwise on low tax rates.</i>	<ul style="list-style-type: none"> • This can minimize the overall tax rates payable. • Also note that the maximum rate that 2020 dividends can be franked is dependent on whether the company is a Base Rate Entity based on its 2019 year (see 'Franking dividends' above).
Private company loans (Div 7A)	<i>Loans advanced by private companies in 2019 and prior years must be put under a complying loan agreement and minimum principle and interest payments must be made by 30 June 2020.</i>	<ul style="list-style-type: none"> • The ATO's benchmark rate for Div 7A loans is 5.37% for the 2020 year. • If loans have been advanced in the 2020 year then generally by the due date for the lodgment of the company's 2020 income tax return, they must be either repaid in full or put under a complying loan agreement.
R&D Tax Incentive	<i>Companies intending to claim the R&D tax incentive for the 2020 year must make sure that R&D expenditure charged by associate entities has been documented and paid by 30 June 2020.</i>	<ul style="list-style-type: none"> • Failure to make sure that R&D expenditure charged by associates are paid by 30 June 2020 will mean that this expenditure can't be included in the R&D Tax Incentive claim for 2020, this expenditure can instead be claimed in a future year when the associate is paid.

Trusts

Pre Year end Trustee initiatives	<p><i>Have you considered all the resolutions that your trustee should be making by 30 June 2020. These can include determining distributable income and which beneficiaries should receive the income distributions.</i></p> <p><i>If you intend to distribute to a corporate beneficiary, has that legal entity been established?</i></p> <p><i>Trust deeds should be regularly reviewed to confirm how they interact with the various tax requirements, some of which are mentioned above.</i></p>	<ul style="list-style-type: none"> • The ATO has withdrawn its administrative concession allowing trustees to determine distributable income and distributions to beneficiaries in the two months after 30 June. Based on most trust deeds, this means decisions need to be made by 30 June each year, otherwise net income is assessed to default beneficiaries, or in their absence, to the trustee at the top marginal rate. • Distributions to Companies <ul style="list-style-type: none"> • There are still some trust deeds that do not allow for distributions to corporate beneficiaries or other unominated beneficiaries. These should be reviewed and updated by 30 June. • If corporate beneficiaries are not established by 30 June 2020, they are unable to be nominated as beneficiaries. • Distributions to Trusts <ul style="list-style-type: none"> • Trusts are generally subject to carry forward loss rules, including the 'income injection' test. However, if trusts are within a 'family group', trust income from one trust may be 'injected' into a loss trust so as to utilize the losses and reduce assessable income. Have you made appropriate Family Trust Elections and/or Interposed Entity Elections?
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2020 Year-end Tax Planning

Superannuation Funds

Item	Details	Comments
Superannuation Pension Drawings	<i>Draw at least the minimum pension by 30 June 2020. Note that in March 2020 it was announced that the minimum pension for the years ending 30 June 2020 and 2021 was been reduced by 50%.</i>	<ul style="list-style-type: none">You should calculate your new (reduced) minimum pension withdrawal to work out if you still need to draw to meet the minimum. We can assist to calculate the new minimum pension that you must withdraw by 30 June 2020.If you have already withdrawn more than the new reduced minimum pension then you may only contribute that excess back to the fund if you can do so under the existing contribution caps and criteria.
Balancing Member Balances	<i>Try to achieve a balance between member benefits, particularly if you can target \$1.6m</i>	<ul style="list-style-type: none">With the restrictions of \$1.6m on a Transfer Balance Cap and the Non Concessional Contributions, if your total superannuation assets are over \$1.6m, it may be beneficial to 'balance' the member benefits.
Deed and Estate Planning	<i>Schedule a review of your Trust Deed and Binding Death Benefit Nominations</i>	<ul style="list-style-type: none">There will most likely be benefits in a Reversionary Pension compared to non-Lapsing Nominations for those you intend to leave your superannuation member benefits to their spouse.This should be addressed with your financial adviser as soon as possible.
Limited Recourse Borrowing Arrangement [LRBA] trap	<i>Connected to the limit of a combined member balance the borrowing in a SMSF will be counted to the member balance</i>	<ul style="list-style-type: none">If your SMSF has a Limited Recourse Borrowing Arrangement it needs to be reviewed before 30 June as it may impact on your ability to contribute to Superannuation after 1 July 2020.
GESB West State members	<i>Concessional contributions limit</i>	<ul style="list-style-type: none">From 1 July 2017 your concessional contributions to this fund are limited to the income you earn from the public service and must be salary sacrificed from your public service income.You should review the contributions you have made to your GESB West State super account in 2020 and discuss with your financial advisor the opportunities to sacrifice additional contributions, or alternatively, any remedial action that may be required by 30 June 2020.

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