Year end is coming!

Tax planning and superannaution tips for end of financial year

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As we approach the end of the financial year, it is an opportunity to reflect on the year that was and consider actions that need to be undertaken prior to 30 June to maximise year-end tax planning opportunities.

Big picture year-end tax considerations

Year-end tax planning is a crucial time for evaluating whether the current structure is fit for purpose both now and into the future. This includes looking at the interaction of trusts, companies, self managed super funds (SMSFs), Private Ancillary Funds, and other entities.

It is also important to consider any changes in your personal life during the year. Perhaps life is largely status quo or perhaps there has been a realisation of a significant family asset that requires additional tax planning. This additional planning might involve Small Business Capital Gains Tax concessions, donations, superannuation contributions and other actions that need to be completed before 30 June.

Stepping away from tax considerations, it is also beneficial to review personal insurance and estate plans. Ensuring that personal insurance is up to date and adequately covers current needs is crucial for financial security. Similarly, reviewing and updating estate plans can provide peace of mind that assets will be distributed according to the client's wishes and in the most tax-efficient manner.

Businesses—what should you be taking into consideration?

Key year-end revenue-related tax planning considerations for businesses include reviewing contracts to determine if income invoiced may be considered revenue in advance for income tax purposes.

From a deduction perspective:

- Review the accounts receivable ledger to follow up any outstanding debts and to formally write off any debts that are not collectable.
- Make sure all capital assets have been included on the asset depreciation schedule, consideration has been given to the instant asset write off and all depreciated assets are still held by the business.
- Review your inventory listing to ensure obsolete and damaged stock has been properly accounted for.
- Any superannuation payable by the business is paid prior to 30 June, as superannuation payments are deductible based on cash payment and not accruals.

Although not 30 June time-sensitive, have the various government grants including Research & Development concessions been considered?

From a business owner perspective, has consideration been given to the remuneration strategy of salaries versus dividends as well as the impact of any funds withdrawn from the business that may be subject to Division 7A provisions[1], [which prevents private companies from making tax-free distributions of profits to shareholders or their associates through payments, loans or forgiven debts].

Trusts and investment companies—you haven't been forgotten

For clients with trusts and investment companies, it is recommended to estimate the trust income for the year, give thought to the beneficiaries that will receive the income, and prepare a year-end distribution resolution that meets the trust deed requirements.

In relation to beneficiaries, it is important to consider the following:

- Be cautious with 100A[2]— [a tax anti-avoidance rule that may apply if a trust distribution is made under a 'reimbursement agreement' where the benefit does not actually go to the beneficiary], so it is important to ensure trust beneficiaries are receiving the benefit of trust distributions.
- Consider the tax residency of beneficiaries as there could be withholding tax considerations.
- If there is professional services income received by the trust—give consideration to the ATO guidance in PCG 2021/4[3] [which sets out how the ATO assesses arrangements where taxpayers redirect their professional services income from a business or activity to an associated entity to reduce tax liability].
- Be mindful of the impact of Division 7A on unpaid present entitlements from the trust to any corporate beneficiaries within the structure.

It is best to document any dividends as they are paid, particularly if the strategy is to utilise dividends to meet the minimum repayment requirements of any Division 7A loans, [that is, if a shareholder has a Division 7A loan from a company, they must make minimum annual repayments (including interest) to avoid the loan being treated as a taxable deemed dividend].

Tips for individuals

It is important to consider private health insurance if you are over 31 and/or earning over $97,000 (as at 30 June 2025). This can help you avoid the Medicare Levy Surcharge.

Additionally, making donations before 30 June can be beneficial, especially if they are made in the name of the spouse with the higher marginal tax rate, as this can maximise the tax deduction.

It is also wise to evaluate the opportunity to defer income or bring forward expenses. This strategy is usually most beneficial if you are in a higher tax bracket in a particular year, as it can help manage your taxable income more effectively. For instance, you might consider prepaying expenses like interest on investment loans or a sole trader purchasing necessary business equipment before the end of the financial year.

Lastly, keeping detailed records of deductions for work-related expenses and car expenses is crucial. This includes maintaining receipts and logs for items such as uniforms, tools, travel expenses, and vehicle usage for work purposes. Proper documentation ensures you can claim all eligible deductions and potentially reduce your taxable income.

What is the ATO keeping an eye on?

The ATO has a multitude of data from various sources, both domestically and internationally. They are becoming stricter around on-time lodgement and payments, with general interest charges no longer deductible from 1 July 2025.

They are also keeping an eye on:

- **Holiday homes**: The ATO also has access to rental agent and AIRBNB data and is scrutinising deductions on holiday homes and the apportionment of loan interest where it is not solely for investment purposes.
- **Group restructures**: The ATO is keeping a watchful eye on succession-driven group restructures with a specific focus on Division 7A and the private use of assets held by entities within the group.
- **International transactions**: Correct reporting of international transactions and adherence to various integrity provisions is essential, for example:
  - ***CFCs*** (Controlled Foreign Companies—certain types of income from CFCs may be taxed in Australia even if not distributed]
  - ***transfer pricing*** [rules that ensure prices charged between related international entities reflect arm's-length terms to prevent shifting profits offshore]
  - ***foreign hybrid mismatch*** [rules that prevent multinational groups from exploiting differences in how countries treat certain entities or payments for tax purposes].

Year-end is a great opportunity to revisit your personal situation, business structuring and tax strategy. So, it is important that you do not let this opportunity go to waste.

Maximising your super contributions before 30 June

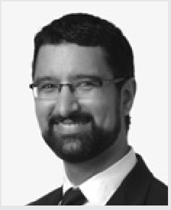
As 30 June approaches, it is essential to review your superannuation contributions to ensure you are making the most of the available caps and benefits. Here are some key considerations to ensure that your super is working for you.

Contribution caps and strategies

Contribution caps are generally 'use it or lose it'. If you are aiming to build your super balance, now is the time to maximize your contributions. The rules can be complex, so it is wise to seek advice from your financial adviser and accountant.

The concessional contribution cap is $30,000. These contributions are tax-deductible, whether made by your employer or personally. It is crucial to stay under this cap to avoid excess contribution implications. If your employer contributions are under $30,000, or you have no employer contributions, and you are under 67 (or between 67 and 74 and meeting a work test), you can make additional tax-deductible personal concessional contributions to make up the difference.

Timing is also critical. Ensure your fund receives your contributions by 30 June, and know exactly what



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Ankit is a longstanding member of the Pitcher Partners family, having been with the firm since 2008. He takes a holistic approach to delivering on client's needs, balancing technical expertise, simplicity and commerciality. With a client portfolio that includes executives, investors, professional services partners, high-net-worth groups, and family offices, Ankit has the expertise to navigate diverse financial requirements including assisting clients with both their operating business and their personal investments.

your employer is contributing up to that date. It is easy to be tripped up by getting the timing wrong.

The super fund pays 15% tax on concessional contributions. If your adjusted taxable income exceeds $250,000, an additional 15% Division 293 tax applies. Consider the overall tax implications to ensure it is worthwhile.

Non-concessional contributions, which are not tax-deductible, can only be made if your total super balance is less than $1.9 million. The non-concessional contributions cap is $120,000 per annum, or $360,000 over three years if eligible. Due to the complexity and potential implications of exceeding the caps or getting the timing wrong, seeking advice is recommended.

Lesser-known contribution strategies

If you have a self-managed super fund you can contribute by transferring assets like listed shares, widely held trust units, or business real property instead of cash. This can be useful if you want your SMSF to hold these assets.

You can carry forward unused concessional contribution caps for up to five years if your total super balance was under $500,000 at 30 June 2024. This is beneficial if you have not maximised contributions in previous years and want to make a larger contribution now. It can also be useful if you have a lot of taxable income this financial year and can make use of a larger tax deduction.

The downsizer contribution allows you to make a non-concessional contribution of up to $300,000 ($600,000 for a couple) if you are 55 or older and sell a home you have owned for at least 10 years, even if you are not otherwise eligible to make non-concessional contributions.

Lower-income earners can take advantage of government incentives like the low-income super tax offset and spouse tax offset.

SMSF considerations before EOFY

If you are paying yourself a pension from your SMSF, ensure you have drawn the minimum required pension amount for the financial year based on your pension account balance at 30 June 2024. Failure to do so results in the fund losing its tax exemption.

SMSF assets need to be valued each year at 30 June. Listed assets are straightforward, but unlisted investments and property can be complex. Consult your accountant for accurate valuations.

Ensure rent for investments leased to related parties is charged at arm's length rates and is appropriately documented. Provide evidence like lease agreements and market appraisals to the auditor.

Consider capital gains tax if you have sold investments during the year. Offset gains with capital losses and plan the timing of asset sales carefully.

Starting a new pension

If you are eligible to start a pension, it is practical to start on 1 July in an SMSF due to valuation and reporting requirements. Begin preparations now to be ready.

Starting a pension from your super account reduces fund tax and, if you are over 60, you will not pay personal tax on the pension income. Ensure your SMSF has enough liquidity to pay the pension each year.

The transfer balance cap increases from $1.9 million to $2 million on 1 July, allowing some to add more to their pension account.

Long-term planning

It is important to integrate your super into your overall estate plan. Consider who will receive your benefit, whether they can keep it in the super system, and the tax implications.

As SMSF members age, cashflow and liquidity become crucial, especially for minimum pensions and death benefit payments.

By considering these strategies and seeking professional advice, you can make the most of your super contributions to secure your financial future. **FS**

Notes

1. Contained in Part III, Division 7A, 109B–109N of the Income Tax Assessment Act 1936 (ITAA 1936)
2. Section 100A is found in Part III, Division 6 of the Income Tax Assessment Act 1936 (ITAA 1936).
3. ATO Practical Compliance Guideline PCG 2021/4

The quote

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Louise provides strategic advice, structuring solutions, tax compliance and family office services to high-net-wealth individuals and families, senior executives and private business owners. With a pragmatic and commercial approach, Louise applies technical knowledge and experience to develop strategies and solve problems for clients. She takes the time to understand her client's financial goals, and to work together with their other advisors, to build long-term strategies to achieve their financial objectives.