

2023/24 Year-end Checklist for Business

Many business clients like to review their tax position before the end of the income year and evaluate any strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for profitable small businesses is based around accelerating deductions and deferring income.

Small Business Entities ('SBEs') – i.e., those with an aggregated turnover of less than \$10 million – often have greater tax planning opportunities compared to other businesses, due to certain concessions generally only applying to them. SBEs usually also have the flexibility to pick concessions that suit their circumstances. However, for 2023/24, many of the SBE concessions are now also available to medium-sized businesses ('MSBs'), i.e., businesses with an aggregated turnover of less than \$50 million.

The following are common strategies that may be considered for **all** business taxpayers.

Maximising deductions for non-SBE business taxpayers

Deductions can be maximised for non-SBE business taxpayers by **prepaying expenses**, **accelerating expenditure** and/or **accruing expenses** that have been incurred.

Prepayment strategies

Any part of an expense prepayment relating to the period up to 30 June is generally deductible.

In addition, non-SBE taxpayers may generally claim prepayments in full for expenditure that is:

- ◆ under \$1,000;
- ◆ made under a 'contract of service' (e.g., salary and wages); or
- ◆ required to be incurred under law.

Note: Medium-sized businesses ('MSBs') may fully deduct prepayments made before 1 July 2022 (refer below).

Accrued expenditure

Business taxpayers (including SBEs) are entitled to a deduction for expenses incurred as at 30 June 2024, even if they have not yet been paid.

Examples of expenses that may be accrued and claimed as a tax deduction in 2023/24 include:

- ◆ **salary or wages and bonuses** accrued for the number of days that employees have worked but have not been paid as at 30 June 2024;
- ◆ accrued **interest** outstanding on a business loan that has not been paid;
- ◆ **commission** payments owing to employees or other external parties;
- ◆ the **fringe benefits tax ('FBT') instalment** for the June 2024 quarter, if it is due but not payable until July 2024; and
- ◆ **directors' fees payable** as at 30 June 2024, where the company is definitively committed to the payment.

Maximising deductions for SBE taxpayers

Deductions can be maximised for SBE taxpayers by accelerating expenditure and/or prepaying deductible business expenses (and also by accruing expenditure – refer above).

Accelerating depreciation expenditure

In addition to accelerating expenditure on various business items (refer above), for 2023/24, SBE taxpayers that use the simplified SBE depreciation rules may claim the following deductions in relation to **depreciating assets**:

- A full deduction for the cost of eligible assets under \$20,000 first used or installed ready for business use by 30 June 2024 (as well as eligible improvements), **regardless of cost**.

*Note: SBE taxpayers that use the simplified SBE depreciation rules **cannot** directly opt out of fully expensing depreciating assets. Instead, they will need to firstly opt out of the simplified SBE depreciation rules entirely, and then opt out of full expensing an asset-by-asset basis.*

- The SBE closing pool balance (before current year deductions) if under \$20,000, if any, will be fully claimed in the 2024 income year.

*Note: SBE taxpayers using the simplified SBE depreciation rules **cannot** opt out of full expensing with regards to their SBE general pool (i.e., even if they opt out of the simplified SBE depreciation rules).*

If appropriate, SBE taxpayers should consider purchasing and using (or installing ready for use) these items by 30 June 2024.

Prepayment strategies (SBEs and MSBs)

SBEs and medium-sized businesses ('MSBs') that make prepayments before 1 July 2024 can choose to claim a full deduction in the year of payment (i.e., in 2023/24), if they cover a period of no more than 12 months (ending before 1 July 2025).

Otherwise, the prepayment rules are the same as for non-SBE taxpayers.

The kinds of expenses that may be prepaid include:

- Rent** on business premises or equipment.
- Lease payments** on business items such as cars and office equipment.
- Interest** – check with your financier whether it's possible to prepay up to 12 months interest in advance.
- Business trips.**
- Training courses** that run from 1 July 2024.
- Business subscriptions.**

Information Required

This is some of the information we will need you to bring to help us prepare your income tax return:

- Stock-take details as at 30 June 2024.
- Debtors listing (including a list of bad debts written off) as at 30 June 2024.

Note: To claim a tax deduction, the debt must be written off on or before 30 June.

- Creditors listing as at 30 June 2024.