ALERT

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ENHANCING SUCCESS

26 JUNE 2015

End of Financial Year action items

With FOUR DAYS TO GO until the end of the financial year, here are five EOFY action items we recommend you keep top of mind:

1 SMALL BUSINESS

The federal government recently implemented changes to the small business tax regime.

Small Business owners can now claim an accelerated depreciation write-off up to $20,000 per asset (up from the current $1,000 threshold). This measure became effective from Budget night and will remain in force until the end of June 2017. The $20,000 threshold only applies to assets that were first acquired on or after 12 May 2015 and are first used or installed ready for use before 30 June 2017.

2 TRUSTEE RESOLUTIONS

2.1 Tax on trust distributions

The ATO requires all trust distribution resolutions to be in place by 30 June. This requirement does not necessarily mean all distributions must be paid to the beneficiaries before 30 June 2015. However, the resolution indicating the entitlement must usually be made in writing by that date.

2.2 Family trust elections

It is also important to check that intended beneficiaries of a family trust are within the family group of the individual specified in the family trust election. Appointing trust income or capital to a person outside the family group will result in a tax penalty of 49 per cent for each distribution in breach.

2.3 Trust loss

A family trust election may need to be made in order for the family trust to carry forward any revenue loss in the future or to stream any franking credits to the intended beneficiaries.

3 DIVISION 7A & DIVIDEND PAYMENTS

3.1 Unpaid entitlements

Before the end of the income year, we recommend a review of any UPEs to ensure appropriate measures have been put in place to mitigate the compliance risk associated with Division 7A, including by ensuring that:

- section 109 complaint loan agreements are in place (where applicable); and
- any minimum loan repayments for the income year have been made (where applicable).

3.2 Interposed entities

We suggest that you review any "back-to-back" arrangements under which a private company pays or loans an amount to an interposed entity (i.e. an entity placed between a company and a target entity) to ensure compliance with Division 7A.

3.3 Dividend payments

Companies wishing to pay dividends to its shareholders should make sure the dividends are declared before 30 June.

4 CONTRIBUTION LIMITS

We suggest a review of individuals' annual superannuation contributions (whether contributed by the individual or a third party) to ensure the relevant caps have not been exceeded. The caps for individuals aged under 49 years are as follows:

- concessional contributions cap - $30,000.00; and
- non-concessional contributions cap - $180,000.00.

5 BAD DEBT DEDUCTIONS

We recommend a review of all receivables for the purpose of identifying any debts that may be non-recoverable. If the debt is bad, then the debt must be written off from the receivables ledger before the end of the financial year. A bad debt cannot be claimed if its recovery is only questionable or if the debt still appears in the relevant ledger. A bad debt must be written off in the financial year preceding the year in which a bad debt deduction is sought to be claimed.

The writing-off of a bad debt does not necessarily require highly technical accounting entries. It may be sufficient that some form of written record is kept to evidence the decision of the taxpayer to write off the debt from the entity's accounts.

Please contact a member of our Revenue Law team if you would like to discuss any of the above matters in more detail.

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