

Your 2022/23 Year End Checklist for Your 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 (SBE) 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. For 2023/23, many of the SBE concessions are also available to medium-sized businesses (MSB) with an aggregated turnover of less than \$50 million.

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



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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 – see above).

Accelerating Depreciation Expenditure

In addition to accelerating expenditure on various business items (refer above), for 2022/23, 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 first used or installed ready for business use by 30 June 2023 (as well as eligible improvements), regardless of cost. <i>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 on an asset-by-asset basis.</i>	
The SBE closing pool balance (before current year deductions), if any, will be fully claimed in the 2023 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).

Helpful Links

- [Click here](#) to read more about the simplified SBE depreciation rules
- [Read more](#) about small business closing pool calculations

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: MSBs may fully deduct prepayments made before 1 July 2023.

Accelerating Expenditure (including depreciation deductions)

Accelerating expenditure involves bringing forward expenditure on regular, ongoing deductible items.

This is a useful strategy for any business taxpayer because businesses can generally claim deductions for expenses they 'incurred' during 2022/23, even if the expenses have not actually been paid by 30 June 2023.

Examples of accelerated expenditure that may be incurred and claimed as a tax deduction in 2022/23 by a business taxpayer include:

Repairs	
Maintenance	
Consumables/spare parts	
Advertising	
Fringe benefits: Any benefits to be provided, such as property benefits, could be purchased and provided prior to 1 July 2023	
Superannuation contributions made to a complying fund, to the extent the contributions are actually made (i.e. they cannot be accrued but must be paid by 30 June 2023).	

Depreciating Assets

In addition to accelerating expenditure on business items such as those listed above, for 2022/23, non-SBEs may claim the following accelerated depreciation deductions for depreciating assets first used (or installed ready for business use) by 30 June 2023:

Non-SBEs with an aggregated turnover of (generally) less than \$5 billion can fully expense the cost of eligible assets as well as eligible improvements, regardless of cost (see note below)	
If full expensing does not apply, or an opt-out choice is made, non-SBEs can generally claim the following depreciation deductions (if applicable) for their business assets: <ul style="list-style-type: none">■ Assets costing less than \$1,000 may be allocated to a Low Value Pool and depreciated at a rate of 18.75% (in 2023) and 37.5% thereafter■ In most other cases, the asset's cost is depreciated over its effective life (as determined by the taxpayer or the ATO).	

Note: Non-SBEs may choose to opt out of full expensing on an asset-by-asset basis. The full expensing measure ends after 30 June 2023. From 1 July 2023 onwards, non-SBEs will need to depreciate assets over its effective life. This will apply for any asset costing over \$100 GST.

Accrued Expenditure

Business taxpayers (including SBEs) are entitled to a deduction for expenses incurred as at 30 June 2023, even if they have not yet been paid. Examples of expenses that may be accrued and claimed as a tax deduction in 2022/23 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 2023	
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 instalment for the June 2023 quarter, if it is due but not payable until July 2023	
Directors' fees payable as at 30 June 2023, where the company is definitively committed to the payment.	

Helpful Links

- [Read more](#) about fringe benefits tax

Prepayment strategies

SBEs and MSBs that make prepayments before 1 July 2023 can choose to claim a full deduction in the year of payment (i.e. in 2022/23), if they cover a period of no more than 12 months (ending before 1 July 2024). 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 is possible to prepay up to 12 months interest in advance	
Business trips	
Training courses that run from 1 July 2023	
Business subscriptions	

Helpful Links

- To lodge your tax return for your business yourself, [read more](#) on the ATO website

It's easy to make the switch

We make completing and submitting your business' tax return easy for you – just contact us to make an appointment with one of our Trusted Advisors to make the switch.

We make the process quick and easy for you to switch accountants. Or if you want your weekends back so you don't have to do it all yourself, we can do it for you.

If you're thinking about changing your accountant, the process is easy:

- We send your old accountant an ethical clearance letter to ensure no debts are owed or ethical concerns / issues with working with you (normally a formality), and arrange for any records held by that accountant to be transferred to us
- We provide you with some simple forms to give us relevant information, including authorisation to act on your behalf as your new tax agent
- We transfer any relevant accounting / bookkeeping software registrations from the old accountant to our firm
- You sign an engagement letter to accept the scope of work, services and fees

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

If you have stock, then your stock-take details as at 30 June 2023	
Debtors listing (including a list of bad debts written off ¹) as at 30 June 2023	
Creditors listing as at 30 June 2023	
Bank statements as at 30 June 2023	
Asset schedules (if separate to your current accounting system)	
Supporting working papers for any balances that aren't tracked on your accounting system (such as leave provisions)	
Copies of dividend statements and minutes (if you prepare these yourself)	
Details on any significant or one-off transactions such as the sale of a property or signing of a major contract	

¹To claim a tax deduction, the debt must be written off on or before 30 June.



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A long time vision for us, Your Link to Growth reflects our approach and aspirations to assist you to reach your goals.

Why choose Nexis

- From tax for individuals and companies, to trusts, partnerships and self-managed superfunds, we have your financial needs covered
- A transparent approach to fees so you know exactly what you can expect from our team and services
- Improve your business profitability and proactively reduce your tax obligation subject to ATO regulations
- Work with a firm that's up to date with current technology and accounting software. We're also Xero Gold Champion Partners, meaning we know our stuff when it comes to Xero!

Our services

- Accounting and tax compliance
- Bookkeeping
- Budgeting and cashflow projections
- Benchmarking
- Business improvement planning
- Business structuring and mentoring
- Business valuation assessment
- Succession transition program
- Tax consulting
- Board of advice
- Tax planning and minimisation
- Direct property investments
- Superannuation advice
- Asset accumulation and protection
- SMSF administration

**Need help with your tax?
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