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“Recognising the evolving nature of work and the importance of work-life balance, the *Right to Disconnect* empowers employees to disengage from work-related communications outside of working hours.”

LEGAL CONSIDERATIONS TO TAKE INTO THE NEW YEAR

With numerous legislative updates impacting businesses this year and extending into the next few, it's crucial to understand what you need to know to stay compliant and informed.

The *Closing The Loopholes Act* has added numerous amendments to the *Fair Work Act*, which will be being introduced progressively over the next few years.

These changes, while affecting businesses of all sizes, particularly resonate with small businesses, offering both challenges and opportunities.

Understanding these amendments is crucial for small business owners to navigate the evolving regulatory environment effectively.

Casual Employment

One of the key reforms introduced by the *Closing Loopholes Act* revolves around casual employment. Now, casual employees in small businesses gain access to the 'employee choice pathway' after 12 months, starting from 26 August 2025. This pathway allows them to seek permanency, ensuring greater stability and security in their employment.

Importantly, small business employers must provide the *Casual Employment Information Statement* to casual employees after 12 months of employment, reinforcing their rights and options for transitioning to permanent roles.

Civil Penalties, Sham Contracting, and Compliance Notices

Addressing issues of compliance and fairness, the amendments clarify responsibilities without unduly burdening small businesses already adhering to workplace laws.

Notably, there are no additional penalties for compliant individuals and small business employers. However, a significant shift occurs in

the defence to sham contracting, now pivoting from 'recklessness' to 'reasonableness'. This emphasises employers demonstrating a genuine belief in their classification of workers as independent contractors.

Right to Disconnect

There's a reason for out-of-office notices, but in some workplaces, disconnecting from work is a real difficulty.

Recognising the evolving nature of work and the importance of work-life balance, the *Right to Disconnect* empowers employees to disengage from work-related communications outside of working hours.

Effective from 26 August 2025 for small business employees, this right ensures that employees are not unduly pressured to remain tethered to work obligations during their personal time.

Meaning of 'Employee' and 'Employer' in the Act, the amendment introduces a new interpretive principle for determining the employment status of individuals, emphasising the totality of the relationship rather than just contractual terms.

This aligns with pre-2022 practices, ensuring a fairer assessment of whether an individual is an independent contractor or an employee. Small business owners engaging independent contractors must understand this principle to maintain compliance with the law.

Unfair Contract Terms

Small businesses operating as independent contractors gain access to dispute resolution mechanisms regarding unfair contract terms through the Fair Work Commission. This provides a faster and more cost-effective avenue for resolving disputes than traditional legal routes. It ensures that small businesses have mechanisms to address unfair terms in their contracts efficiently.

Franchisee Access to Single-enterprise Agreement Scheme

Franchisees now have the option to bargain collectively for single-enterprise agreements, ensuring consistency across franchise operations. This allows franchisees to negotiate terms collectively, strengthening their position and ensuring fair treatment for employees across the franchise network.

The timeline

Small businesses need to be aware of the implementation timeline for these changes.

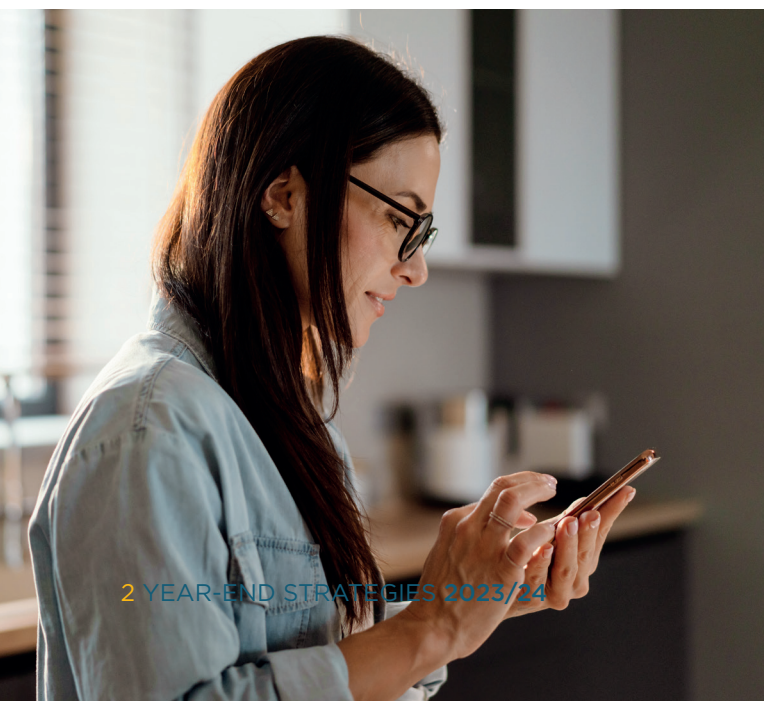
Key dates include:

- Casual Employment: From 26 August 2024.
- Civil Penalties, Sham Contracting, and Compliance Notices: Effective from 27 February 2024 (Royal Assent received).
- Right to Disconnect: 26 August 2025 for small business employees (26 August 2024 for other employers and employees).
- Meaning of 'Employee' and 'Employer' in the Act: Commencing on 26 August 2024 (or earlier by proclamation)
- Unfair Contract Terms: Commencing on 26 August 2024 (or earlier by proclamation)
- Franchisee Access to Single-Enterprise Agreement Scheme: Effective from 27 February 2024.

The amendments introduced by the *Closing Loopholes Act* signify a concerted effort to strike a balance between protecting workers' rights and providing flexibility for businesses, especially for small enterprises.

By understanding these changes and their implications, small business owners can adapt their practices, ensuring compliance while fostering a fair and supportive workplace environment for their employees.

“Small businesses operating as independent contractors gain access to dispute resolution mechanisms regarding unfair contract terms through the Fair Work Commission.”



KNOW YOUR SUPER: A CRITICAL GUIDE TO THE EOFY

National employment standards update

From 1 January 2024, the NES included a right to superannuation contributions. This means that most employees covered by the NES can take court action under the Fair Work Act to recover unpaid or underpaid superannuation.

Changes To caps (concessional & non-concessional)

From 1 July 2024, the concessional contributions cap will increase from \$27,500 to \$30,000, allowing you to add more to your super account (if viable for your situation).

The non-concessional contributions cap will increase from \$110,000 per year to \$120,000. This change will also affect the bring-forward rule, which will increase to \$360,000 depending on your super balance.

Carrying forward & bringing forward contributions rules

The carry forward rule only applies to before-tax contributions and relates to rolling over portions of unused limits from previous years into this financial year. For example, the 2018-2019 limit was \$25,000. If you contributed \$5,000, there is still \$20,000 that can be carried forward into another year under the *Fair Work Act* to recover unpaid or underpaid superannuation.

You're eligible to do this if you:

- have a total super balance of less than \$500,000 on 30 June of the previous financial year
- have unused concessional contributions cap amounts from up to 5 previous years (but not before 2018-19).

Unused cap amounts are available for five years and expire after this. For example, a 2018-19 unused cap amount that is not used by the end of 2023-24 will expire.

On the other hand, the bring forward rule applies to after-tax contributions and brings your future limits forward so that you can use them earlier.

This allows you to bring forward the equivalent of 1 or 2 years of your annual cap from future years. This means you can contribute up to 2 or 3 times the annual cap amount in the first year of the bring-forward period. Any amount of the bring-forward cap that's unused in the first year can be used in the remaining 1 or 2 years.

How much you can bring forward and from when will depend on your super balance, and some limitations will be imposed on you after activating this. For more information and before acting, speak with a licensed professional.

Transfer balance caps

The transfer balance cap applies from 1 July 2017. It is a limit on the total amount of superannuation that can be transferred into the retirement phase. All your super account balances (regardless of how many you have) will be included to calculate this amount.

You can make transfers into the retirement phase as long as you remain below the transfer balance cap. For the 2023-24 financial year and the 2024-25 financial year, this is \$1,900,000.

Small business super clearing house deadlines

To qualify for a tax deduction for the 2023-24 financial year, Super Guarantee contributions must be paid by 30th June 2023. Some clearing houses can take over a week to submit the payment to the super fund, but the fund must receive the contribution before the deadline. To keep on top, the best practice may be to pay before 20th June (to allow extra time for the clearing houses to process the payment). Payments may take up to 7 business days to be transferred through the ATO and super fund before they reach the employee's super fund account. Leave enough time for your SG payments to reach the super fund and allow for their processing timeframes.

Depositing contributions for your SMSF

Any contributions that have been recorded for your SMSF need to be deposited into the fund's bank account by no later than 30 June. This is especially important when members have reported concessional or non-concessional contributions on their tax returns. But remember that you can't claim the tax deduction until you have lodged your notice of intent to claim a tax deduction and have received an acknowledgement back from the fund. No early lodgements if you have made a contribution to super.



YOUR END OF FINANCIAL YEAR CHECKLIST

As the end of the financial year approaches, businesses need to review their financial affairs and ensure compliance with regulatory requirements.

Whether you're a newly established business, an existing one, or simply needing a reminder, this EOFY checklist will help you navigate the necessary tasks to wrap up the financial year effectively.

For newly established businesses

Register for GST (goods and services tax): If your business has reached the GST threshold (\$75,000 turnover annually), register for GST with the Australian Taxation Office (ATO) to comply with tax obligations.

Set up accounting systems: Implement accounting software or systems to accurately track income, expenses, and GST obligations. Consider seeking professional advice to ensure compliance and efficiency.

Organise financial records: Maintain organised records of all financial transactions, including invoices, receipts, and bank statements, to facilitate EOFY reporting.

Understand tax deductions: Familiarise yourself with tax deductions applicable to your business, such as expenses related to operating the business, depreciation on assets, and superannuation contributions.

For existing businesses

Review financial performance: Assess your business's financial performance over the past year, including revenue, expenses, and profitability, to identify areas for improvement and strategic planning.

Reconcile accounts: Reconcile bank accounts, credit cards, and other financial accounts to ensure the accuracy and completeness of financial records.

Complete and lodge BAS (business activity statement): Lodge your BAS for the quarter ending 30 June, reporting GST collected and paid, as well as other relevant tax information.

Review and renew contracts: Review existing contracts with suppliers, clients, and service providers, and consider renewing or renegotiating terms where necessary.

For businesses needing a reminder

Superannuation payments: Ensure all superannuation contributions for employees are paid and reported to the relevant super funds by the due dates.



EOFY reporting obligations: Complete and lodge annual reports with the ATO, including PAYG withholding summaries for employees and taxable payments reports for contractors. Make sure to check with us if there has been any changes from previous years.

Stocktake: Conduct a stocktake to determine the value of your inventory at the end of the financial year, ensuring accurate reporting for tax purposes.

Review insurance policies: Review business insurance policies, including public liability, professional indemnity, and property insurance, to ensure adequate coverage for the upcoming financial year.

Plan for the next financial year: Develop a budget and financial plan for the next year, outlining revenue targets, expense forecasts, and strategic initiatives to drive business growth.

By following this EOFY checklist, businesses can ensure compliance with regulatory requirements, maintain financial accuracy, and position themselves for success in the upcoming financial year.

If you fail to plan, you plan to fail. Ensuring that your business is prepared at the end of the financial year for the following year is critical to ensuring its viability.

STREAMLINING YEAR-END BUSINESS RECORD-KEEPING: A VITAL GUIDE

As the year draws to a close, the significance of meticulous record-keeping cannot be overstated. It serves as the backbone of your year-end procedures, facilitating tax compliance, cash flow management, and informed decision-making for the future of your enterprise.

Expense and purchase records

Keep comprehensive records of all business expenses, encompassing receipts, tax invoices, cheque stubs, credit card vouchers, and diaries for small cash outlays.

Year-end records

These encompass creditor/ debtor lists, depreciating asset calculations, stocktake reports, and capital gains tax documentation.

Income and sales records

Maintain meticulous records of income and sales transactions, including tax invoices, receipt logs, cash register tapes, and cash sales records.

Bank records

Retain documents like bank statements, loan agreements, and deposit records to facilitate tax return preparation.

Fuel tax credits

Ensure your records demonstrate fuel acquisition, usage for business purposes, and accurate application of tax credit rates.

Payments to employees and contractors

Maintain records of employee details, tax file numbers, superannuation contributions, wages, and other payments.

According to statutory requirements, business records must be retained for at least five years for sole traders and individuals and seven years for companies and payroll transactions.

Records can be stored electronically or in hard copy, in English or a readily convertible format, providing comprehensive explanations of all transactions. Non-compliance with record-keeping regulations may result in penalties from tax authorities.

Consistent maintenance of records throughout the year, both major and minor, positions your business favourably for the year-end.

INCREASE TO SUPER GUARANTEE FROM 1 JULY 2024

In recent years, the superannuation guarantee (SG) has gradually increased by a set percentage.

This increment is part of a continuous rise toward reaching 12% gradually, predicted to be achieved by 2025. This gradual approach allows businesses ample time to strategise for the future, as they can manage small annual increases rather than facing a sudden jump.

Currently, employers must contribute the equivalent of 11% of ordinary time earnings for the 2023-24 financial year. This rate is slated to rise to 11.5% from 1 July 2024 for the 2024-25 financial year.

All full-time, part-time, or casual employees over 18 are eligible for super guarantee contributions (SGC).

Additionally, employees under 18 and private domestic workers, such as nannies, who work more than 30 hours a week, are also eligible. In some cases, certain contractors may be considered eligible as well.

To ensure compliance with regulations and fairness to employees, it's crucial for businesses to accurately calculate superannuation contributions based on employees' ordinary time earnings. The best way to avoid a super guarantee charge is to stay in line with the requirements of the super guarantee.

“All full-time, part-time, or casual employees over 18 are eligible for super guarantee contributions (SGC).”

STAGE 3 TAX CUTS COME INTO EFFECT 1 JULY 2024

With the amended “Stage 3” tax cuts scheduled to commence on 1 July 2024, it’s crucial to bear in mind the revised tax brackets and thresholds during the tax planning process for this year as well.

These proposed changes include:

- Reducing the 19% tax rate to 16% (for incomes between \$18,200 and \$45,000)
- Reducing the 32.5% tax rate to 30% (for incomes between \$45,000 and the new \$135,000 threshold)
- Increasing the threshold at which the 37% tax rate applies from \$120,000 to \$135,000
- Increasing the threshold at which the 45% tax rate applies from \$180,000 to \$190,000

As a result of these changes, all 13.6 million taxpayers are expected to receive a tax cut. The proposed tax cuts aim to provide relief to a broad spectrum of taxpayers, from those with average incomes to higher-income individuals.

New personal tax rates & thresholds for 2024-25

Current tax rates

\$0 - \$18,200	Tax-Free
\$18,201 - \$45,000	19%
\$45,001 - \$120,000	32.5%
\$120,001 - \$180,000	37%
Greater than \$180,001	45%

Comparative tax cut figures

Under the current plan, the tax cuts are projected to be as follows:

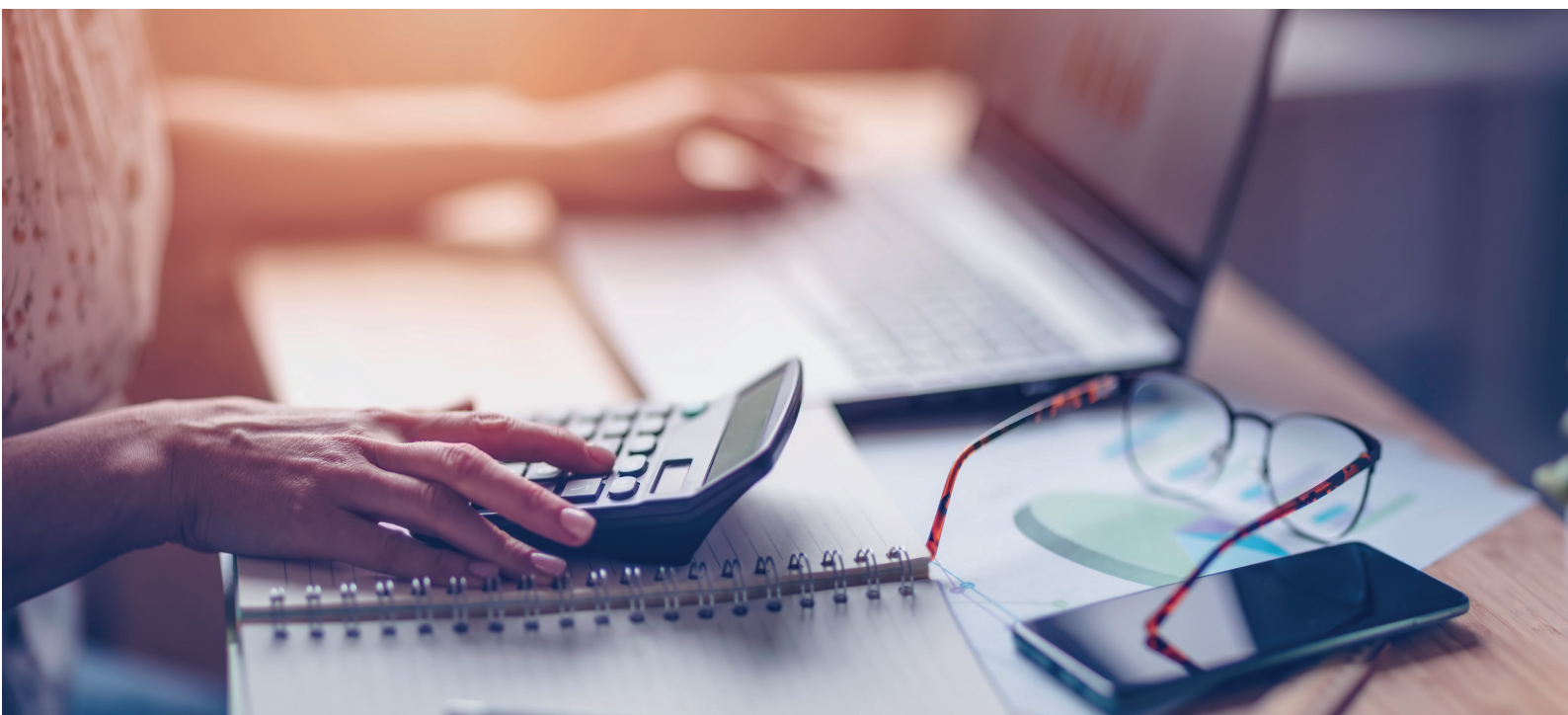
- A person on an average income of around \$73,000 will receive a tax cut of \$1,504
- A person earning \$40,000 will get a tax cut of \$654
- A person earning \$100,000 will receive a tax cut of \$2,179
- A person earning \$200,000 will still get a tax cut of \$4,529

The Stage 3 Tax Cuts have been a focal point of tax policy discussions, with implications for individuals across various income brackets.

While these cuts will not be coming into effect until 1 July 2024, it is important to consider in your tax planning preparation for the 2024-2025 year.

New Tax Rates From 2024-2025

\$0 - \$18,200	Tax-Free
\$18,201 - \$45,000	16%
\$45,001 - \$135,000	30%
\$135,001 - \$190,000	37%
Greater than \$190,001	45%



MAXIMISING TAX EFFICIENCY: STRATEGIC CONSIDERATIONS BY 30 JUNE

As the tax year approaches its close on 30 June 2024, individuals are presented with an opportune moment to manage their finances and optimise their tax obligations strategically.

By judiciously considering various avenues for tax planning, there may be opportunities to minimise tax liabilities while maximising financial well-being. Here are some key considerations to ponder:

Trusts management

- You must do trust distribution minutes before 30 June 2024 to allocate profit for the year. To make these decisions you need to forecast what your profit is likely to be for the year. Once your March 2024 BAS is completed, review the results for the year to date and estimate profit for the year.
- Explore the possibility of income streaming from family discretionary trusts. However, be mindful of potential implications under Division 7A or Section 100A, which may apply to certain arrangements
- Furthermore, trustees of family trusts should align their tax planning strategies with the unique considerations of trust management. It is imperative for trustees to verify the eligibility of each beneficiary to receive distributions from the trust and to meticulously document the allocation of income among beneficiaries by 30 June, maintaining detailed records of trustee distribution minutes.
- Additionally, trustees should assess the applicability of Division 7A or Section 100A to any unpaid present entitlements (UPEs) within the trust structure.

Notably, beneficiaries should be aware that disclaiming a distribution after 30 June may not be feasible, underscoring the importance of timely decision-making and proactive tax planning measures.

Tax deductions for businesses

- Businesses with a turnover of less than \$10M can claim an instant asset write-off of up to \$20,000 for items of plant and equipment costing less than \$20,000, allowing for a full deduction. Assets exceeding \$20,000 can be depreciated at a rate of 15% in the first year and 30% annually thereafter.
- For businesses with a turnover exceeding \$10M, assets must be depreciated over their effective life.
- To qualify for a tax deduction in the 2024 year, pay employee super before 30 June 2024. Ensure payments are processed through the clearing house and funds are sent to super funds before the deadline. Given the typical 10-day processing

time, aim to make payments as soon as possible, estimating super payments for the maximum deduction.

Expenses & debt for businesses

- Document or pay employee bonuses before 30 June 2024.
- Small businesses with turnover less than \$50M can prepay rent and other business expenses for up to 12 months.
- Engage in Continuing Professional Development (CPD) training or prepay for training within the next 12 months.
- Conduct a review of debtors and write off any bad debts before 30 June 2024.

Managing dividends

- If applicable, consider how you will take profits out of your company, either as wages or dividends. Wages will have super and workers comp issues. Dividends need company tax paid to take out fully franked dividends.
- Strategise the declaration or postponement of franked dividends from private companies to optimise tax outcomes in alignment with your overall financial plan.

Utilising salary packaging and sacrifice

- Investigate the advantages of salary packaging and salary sacrifice arrangements, such as for cars or additional superannuation contributions, to optimise tax efficiency while enhancing personal financial goals.

Protecting income

- Evaluate the use of income protection policies as a means to safeguard against unforeseen financial risks while potentially enjoying tax benefits.

Capital gains management

- Mitigate potential capital gains tax (CGT) liabilities by offsetting capital gains with capital losses, adhering to Australian Taxation Office (ATO) regulations to ensure legitimate deductions.

Strategic asset sales

- Consider deferring the sale of CGT assets to after 30 June if feasible, thereby potentially deferring associated tax liabilities to the subsequent tax year.

Prepayment of expenses

- Explore the option of pre-paying rent, interest, or insurance costs by 30 June, possibly allowing for deductions in the current tax year, subject to specific rules and limitations.

Deductible expenses

- Review potential deductible expenses such as self-education costs or home office expenses, particularly relevant for those working remotely due to the pandemic.

Superannuation contributions

- Assess the opportunity for additional contributions to superannuation, considering contribution thresholds for both yourself and your spouse, to potentially reduce taxable income while bolstering retirement savings.

Charitable donations

- Consider donating to registered charities, or public or private ancillary funds to support worthy causes and potentially avail of tax benefits.

Rental properties

- If you have rental properties, review expenses for the year and prepay any to get larger tax deductions this year. Review loans to check on the rates of interest you are paying. If you have not reviewed your loans in the last 2 years, do so now with your bank or mortgage broker.
- If you have an agent managing your rental property, get them to pay all property expenses so that they are recorded on one statement at year-end for your accountant.

Logbooks

- Do a new logbook now if yours is more than 5 years old or your pattern of work use has changed. Logbooks need to be started before the end of the tax year.

WINNER 2024 CLIENT CHOICE AWARDS

All material contained in this newsletter is written by way of general comment. No material should be accepted as authoritative advice and any reader wishing to act upon the material should first contact our office for properly considered professional advice, which will take into account your own specific conditions. No responsibility is accepted for any action taken without advice by readers of the material contained herein.

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