Temporary Full Expensing Guide.

Everything you need to know about this game-changing scheme.

winc.®

What is Temporary Full Expensing?

Dr Adrian Raftery – Mr Taxman
One of Australia's leading tax experts and best-selling authors.

With the end of financial year fast approaching, it is important to understand how businesses can benefit by reducing taxable income and making tax administration easier. We reached out to Dr. Adrian Raftery, principal of Mr Taxman and author of '101 Ways to Save Money on Your Tax - Legally!' to explain the Temporary Full Expensing concession and how to take advantage of EOFY sales.

"Under the current law, Australian businesses can immediately write-off the full value of new, eligible and depreciable assets acquired after 7:30pm on 6 October 2020 and first used and installed by 30 June 2023, as updated in the 2021-2022 Federal Budget. Businesses will also be able to claim full deductions for the cost of improvements made to existing depreciable assets.

"This scheme was set in motion to support businesses negatively affected by COVID-19. To help stimulate the economy, the temporary full expensing scheme is accessible to all Australian businesses with an annual aggregated turnover of less than $5 billion. This means 99 per cent of businesses, or approximately 3.5 million businesses nationwide, will be eligible to claim under this scheme.

"Australian businesses can claim a tax deduction for the full value of a purchase after its use rather than claim depreciation amounts over several years. This temporary incentive aims to encourage businesses to bring forward spending on new assets by allowing a claim on the full tax deduction upfront, reducing the amount of tax paid," explains Dr Raftery.

winc®

What's included in Temporary Full Expensing?

What can be claimed?

"All new assets are eligible under the scheme, provided they meet existing criteria for depreciable assets. This includes capital expenses such as computers and monitors, printers and scanners, kitchen products as well as office furniture. There is no cap on the value of the new eligible assets. Ensure you keep a record of all business purchases that you plan to claim under this scheme, including date of purchase and value," says Dr Raftery.

What can't be claimed?

"Assets excluded from this scheme include capital works, horticultural plants, assets allocated to a software development pool, buildings, and intangible assets. It is important to check on the ATO website for any updates to the exclusions," says Dr Raftery.

What about second-hand assets?

"SMEs with up to $50 million in annual revenue will be able to apply "full expensing" and immediately claim a full deduction on all second-hand assets. Under the previous Instant Asset Write Off provision, businesses with between $50 million and $500 million in annual revenue can claim a full deduction for second-hand assets worth up to $150,000 in value if the assets were purchased before 31 December 2020 and are installed and ready to use by 30 June 2021," informs Dr Raftery.

Top 5 tax tips for SMEs.

Dr Raftery shares five important things to keep in mind during tax time.

1. Scrap obsolete stock and write-off bad debts

"If you have old stock or plant that your business is struggling to sell due to COVID-19, you can physically write them off before 30 June 2021 and receive a tax deduction for them this year. You can value trading stock at the lower of actual cost, replacement cost or market selling value. This valuation can be applied to each item of trading stock. To get a tax deduction on bad debts, your business must physically write off the debt prior to 30 June 2021, says Dr Raftery.

"Remember that the debt must have been originally shown as income for the write-off to be allowed. Put your decision in writing. You also need to show that you have made a genuine attempt to recover the debt," he adds.

2. Purchase new business assets and claim tax deductions this year

"There have been some great tax concessions over the past few years for small businesses. The immediate write-off that is currently available for all new business assets via the Temporary Full Expensing method is an absolute game-changer. Given the assets are eligible, there is no limit to the amount of assets that you can purchase under this concession. If your business is registered for GST, you can immediately claim the 10 per cent GST credit and get an immediate write-off for the balance in this year's tax," says Dr Raftery.

Top 5 tax tips for SMEs.

3. Claim a deduction for expenses not paid at year end

"Australian businesses are entitled to an immediate deduction for certain expenses that have been incurred but not been paid by 30 June 2021 including:

- Salary and wages: claim the number of days that employees have worked up to 30 June 2021 but have not been paid until the next financial year.
- Directors fees: claim a tax deduction for directors fees that are "definitely committed" to by 30 June 2021 and have passed an appropriate resolution to approve the payment.
- Staff bonuses: claim a tax deduction for staff bonuses and commissions that are owed and unpaid on 30 June 2021 where the business is "definitely committed" to the expense.
- Repairs and maintenance: claim repairs undertaken and billed by 30 June 2021 but not paid until the next financial year," says Dr Raftery.

4. Build your nest egg more quickly by paying 15 per cent rather than 47 per cent by salary sacrificing into super

"Salary sacrificing into superannuation is one of the best, and most legitimate, ways to minimise your income tax bill. Small business owners can contribute up to $25,000 per year into super which is only taxed at 15 per cent within the fund and claim a tax deduction for the contribution. That's 26 per cent for small companies and potentially 47 per cent for sole traders," says Dr Raftery.

"Note that in order to obtain a tax deduction in this financial year for any superannuation contribution, including for all other non-related employees, the contribution must be received by the superannuation fund by 30 June 2021," he adds.

5. Get a great accountant

"Did you know during COVID-19, many businesses received as much as $100,000 tax-free in the Government's Cash Flow Boost but incorrectly recorded it as taxable income? And that you can claim back taxes paid in 2018/19 and 2019/20 if your small business makes a loss in 2020/21? Avoid paying too much tax by hiring a great accountant who will know where the boundaries are. Their fees will also be tax deductible!" concludes Dr Raftery.

winc.®

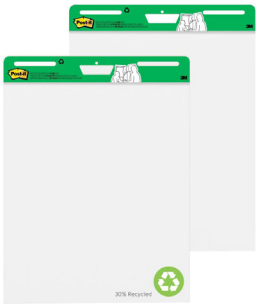
Save big with Winc's end of financial year sale.

Winc is here to support businesses around Australia with our wide range of workplace essentials. Refresh your workplace with new desks and seating, upgrade your monitors and printers and stock up on essentials to get things done by taking advantage of our end of financial year sale.

Whether you're in search of kitchen essentials, new ergonomic furniture or smart technology solutions to set your workforce up for success, we've got you covered.

Fellowes Powershred 125Ci Cross-Cut Shredder

86761352



Post-It Super Sticky Easel Pad Recycled White 635 x 762mm Pack 2

19024732

Verbatim Store 'n' Go SuperSpeed 1 TB USB 3.0 Portable Hard Drive Black

18998070

Buro Metro Task Chair Black

19031688

Steelco Trimline Mobile Pedestal 615h x 390w x 500dmm Black Satin

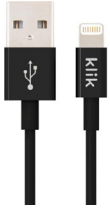
25013871

Conset 501-33 Electric Sit Stand Desk 690-1185h x 1500w x 800dmm White/Black

25095151

BIC Retractable Ballpoint Pen Medium 1.0mm 4 Colour Box 12

87215124



Comsol Klik Apple Lightning to USB Charge & Sync Cable 1.2 m Black

25047718

Kensington Contour 2.0 Business Laptop Backpack 15.6 Inch

25134810

View our full range of products that could be tax deductible this EOFY online.

winc®

winc®