YEAR END TAX PLANNING

June 2025

Changes to be aware of and issues to consider in the lead up to year end are contained within this guide.

DENIAL OF TAX DEDUCTIONS FOR ATO INTEREST CHARGES

From 1 July 2025, tax deductions will not be available for interest charges levied by the ATO. This includes general interest charges and shortfall interest charges. This applies to individuals and entities.

NOTE – GET YOUR FINANCING RIGHT

If you have outstanding ATO debt or have a history of making late payments, it would be prudent to consider financing options. Interest on external debt may be claimed in certain circumstances.

WARNING - ASSET PROTECTION AND DIRECTORS

The ATO continues to focus on collection of outstanding tax debts and it would be prudent to check your governance processes to ensure debts are being paid on a timely basis. There has been a significant rise in Director Penalty Notices (DPNs) and it would be prudent to consider any directorships you hold to ensure your personal assets are not at risk.

Individuals

TAX RATES

The marginal tax rates for Australian resident individuals for the current income year are as follows:

Taxable income	Tax on this income
0 - $18,200	Nil
$18,201 - $45,000	16c for each $1 over $18,200
$45,001 - $135,000	$4,288 plus 30c for each $1 over $45,000
$135,001 - $190,000	$31,288 plus 37c for each $1 over $135,000
$190,001 and over	$51,638 plus 45c for each $1 over $190,000

NOTE – TAX RATES FROM 1 JULY 2026

As announced in this year's Federal Budget, the 16% tax rate will drop to:

- 15% during the 2026-27 income year.
- 14% during the 2027-28 income year.

SUPERANNUATION THRESHOLDS

For the 2024-25 financial year, the general concessional contributions cap is $30,000 for all individuals regardless of age. If a member's total superannuation balance is less than $500,000, they can access their unused CC caps on a rolling basis for 5 years.

For the 2024-25 financial year, the non-concessional contributions cap is $120,000 (or $360,000 by bringing forward your contributions over three years).

TIP – BRING FORWARD YOUR DEDUCTIONS

Individuals should also consult with their financial advisors to check whether it is worthwhile making additional concessional contributions into their superannuation funds prior to 30 June 2025.

Companies and Trusts

TAX RATES

The tax rate for base rate entities (BREs) is now set at 25%. BREs are entities that have an aggregated turnover of less than $50 million and derive less than 80% of their income from defined passive sources including but not limited to rental income, certain dividends, and interest income. The tax rate for all other companies is 30%.

FRANKING AND DIVIDENDS

If you are planning on paying any dividends in your company prior to year-end, it is important to ensure that you have met the documentation/notification requirements. In addition, ensure your franking account is up to date as it is imperative that you have sufficient franking credits to avoid paying franking deficits tax at a later date. Ensure the company has applied the correct franking rate – if the entity was a BRE in the 2024 income year, the franking rate should be 25% for dividends paid in the 2025 income year. For all other companies, the franking rate is 30%.

TRUST RESOLUTIONS

Trustees of discretionary and family trusts must make valid distribution resolutions before 30 June to effectively distribute trust income to eligible beneficiaries. The resolution must be made in accordance with the Trust Deed. If the Trust has not made a valid distribution by 30 June 2025, the Trustee may be liable to pay tax on the Trust's taxable income at the highest marginal tax rate (subject to any default beneficiary clauses present in the Trust Deed).

ATO RISK AREAS – s100A

Trustees should also consider impact of the ATO's guidance on s100A of ITAA 1936. S100A is an anti-avoidance provision and gives the ATO powers to assess the Trustee of the trust at the highest marginal tax rate if the ATO considers the distribution part of a reimbursement arrangement and the "ordinary family and commercial dealings" exclusion does not apply. The finalised guidance issued by the ATO provides its views on when the ordinary family and commercial dealings exclusion may apply.

REVIEW LOANS TO SHAREHOLDERS AND ASSOCIATES (DIVISION 7A LOANS)

The Government had previously announced its intention to introduce changes to the operation of Division 7A. However, at this stage, no draft legislation has been released.

Shareholder loans from companies need to be properly documented and put on a commercial footing in line with the Division 7A tax legislation. In addition to documenting such loans, it is important to ensure interest rates are correctly applied and the minimum repayments are being made to ensure no deemed dividends arise. The Australian Taxation Office (ATO) continues to undertake audits to ensure payments made by private companies are correctly accounted for and company loans are not used to distribute tax-free profits.

In addition to Division 7A loans, you should also review any unpaid present entitlements (UPEs) where trust distributions remain unpaid at the end of the year. We recommend speaking to one of our advisors who can guide you through the complexities of the Division 7A provisions.

RISK AREAS – DIVISION 7A and UPEs

A recent decision handed down by the Full Federal Court is significant as the Court ruled against the ATO. The ATO held the view since 2009 that any UPEs owed by a Trust to a Company would be considered a loan for Division 7A purposes if they remain unpaid. The Court ruled in favour of the taxpayer and confirmed that UPEs are not loans for Division 7A purposes. Refer to Trust Distributions to Corporate Beneficiaries - ATO's Division 7A views incorrect! - MOORE for more information.

The ATO have subsequently applied for special leave to the High Court and in the meantime have released an Interim Decision Impact Statement stating the following which may be relevant for year-end planning and decisions:

- The ATO will continue to administer this issue in line with their views until the appeals process has been completed.
- Their view is that if a UPE remains unpaid, it should be put under Division 7A compliant terms within a required timeframe which requires interest to be levied on the UPE and furthermore requires the UPE to be paid back over 7 years or 25 years (for secured loans) with interest and capital repayments each year.
- Even if Division 7A does not apply to UPEs, the ATO could consider applying s100A if the entitlement remains unpaid and is not put under Division 7A compliant loan terms.
- If the UPE is put under compliant loan terms, the ATO would generally not seek to apply s100A if the funds are used for working capital purposes.

DEPRECIATION ON PLANT AND EQUIPMENT

From 1 July 2023, small businesses with an aggregated turnover of less than $10 million may be eligible for the instant asset write off (IAWO) on the purchase of eligible assets costing less than $20,000. This threshold for the IAWO applies for the 2023-24 and 2024-25 income years. Any asset exceeding the $20,000 threshold is allocated to a small business depreciation "pool" and you can claim 15% in the year of purchase and 30% in subsequent years.

TIP – GET THE TIMING RIGHT!

If you plan on purchasing depreciating assets, ensure you have purchased and installed the asset ready to use by 30 June 2025 to claim the full amount of the depreciation in the 2024-25 financial year.

UNCERTAINTY AROUND FUTURE OF IAWO

As things currently stand, 2024-25 is the last year small businesses will have access to the IAWO. From 1 July 2025, the IAWO threshold will reset to $1,000 and if you have planned capital expenditure, it would be appropriate to bring it forward into the current year to take advantage of the IAWO.

In the lead up to the election, it was announced that a re-elected Labour Government will extend the IAWO until 30 June 2026. This has not been legislated yet.

WARNING – CONSIDER THE COST LIMIT BEFORE BUYING CARS!

If you plan on purchasing a car with a carrying capacity of less than one tonne which is designed to carry passengers (such as a sedan or hatchback), the amount of depreciation that can be claimed is limited to the car cost limit which is currently set at $69,674 . The cost limit also impacts the maximum GST you can claim on these vehicles.

The cost limit, however, does not apply to utility type vehicles with a pay load capacity of more than one tonne.

Certain types of dual cab vehicles with a carrying capacity of less than one tonne which are not designed to carry passengers are not impacted by the cost limit. Whether or not a vehicle is designed to carry passengers depends on the specifications of the vehicle. If you are purchasing a dual cab vehicle with a carrying capacity of less than one tonne, contact your advisor to check the depreciation and GST that can be claimed on the purchase of the vehicle.

Employer Obligations

INCREASE IN SUPERANNUATION GUARANTEE RATE

The superannuation guarantee rate will rise from 11.5% to 12% from 1 July 2025. It is prudent to review your employment contracts and ascertain whether the employee's package is inclusive of or excluding superannuation guarantee once again. This is the last rate increase to superannuation guarantee.

DEDUCTIBILITY OF PAYMENTS TO WORKERS (INCLUDING DIRECTORS AND ASSOCIATES)

From 1 July 2019, you must comply with PAYG reporting and withholding obligations in order to claim a tax deduction for payments you make to workers (including employees and contractors). If you fail to withhold PAYG from your workers' payments or do not report the amounts to the ATO prior to an audit/review, they may be considered non-compliant payments and treated as non-deductible for income tax purposes. Particular care must be taken when paying associates (e.g., business owners or their family members) to ensure you meet your withholding and reporting obligations.

Reporting

TAXABLE PAYMENTS ANNUAL REPORT (TPAR)

If you are in one of the following industries, you may need to lodge a TPAR by 28 August 2025 containing information in relation to payments made to contractors:

- Building and construction
- Cleaning services
- Courier services
- Road freight services
- Information technology services
- Security, investigation, or surveillance services
- Mixed services (provides one or more of the services listed above)

PAYMENT TIMES REPORTING

The Payment Times Reporting Scheme (PTRS) requires certain entities including (but not limited to) companies to publicly report on their payment terms and practices for their small business suppliers. This is achieved primarily through the imposition of a bi-annual reporting requirement whereby affected entities must provide details of their payment terms for small business. This information is then published on a public register which can then be accessed by any interested party.

Companies that carry on an enterprise may have a compliance obligation for the purposes of the PTRS if any of the following apply:

1. The total income for the entity for the most recent income year for the entity was more than $100 million.
2. If the entity is a controlling corporation – the combined total income for all members of the controlling corporation's group for the most recent income year for the controlling corporation was more than $100 million.
3. If the entity is a member of the group of a controlling corporation to which subparagraph (2) applies – the total income for the entity for the most recent income year for the entity was at least $10 million.

FINANCIAL REPORTING OBLIGATIONS

Large proprietary companies may be required to lodge audited financial statements with ASIC. A proprietary company is considered to be large if any two of the following three conditions are met:

- Consolidated revenue for the year ≥ $50m.
- Consolidated gross assets at year-end ≥ $25m.
- Consolidated number of employees at year-end ≥ 100.

Even if a company is not considered large, requirements to prepare and/or lodge financial statements may arise including (but not limited to) situations where the entity:

- Is controlled by a foreign company and not consolidated in a set of financial statements already lodged with ASIC.
- Has one or more crowd sourced funding shareholders.
- Holds an AFSL.
- Is considered a significant global entity.
- Is required to prepare financial statements in accordance with Australian Accounting Statements under the constitution or any other agreements such as shareholder agreements or loan agreements.

MORE INFORMATION

For an overview of when entities have reporting requirements with ASIC, refer to our article here - Requirements to prepare financial statements | Risky Business | Moore Australia - MOORE (moore-australia.com.au)

Tax Planning checklist

Item	Enhance your tax deductions
Accrued expenses	Ensure you accrue expenses where you have a present existing liability to pay the expense irrespective of the fact that you may receive the invoice or make the payment after year end. Example: Accrued wages – for instance, if you have a monthly pay cycle ending on 15 June, you can accrue the costs of your payroll from 16 June to 30 June and claim the wage cost as a tax deduction in the 2025 year itself.
Bad debts	Review your debtors listing and determine whether any debts can be written off. A written record should be kept evidencing the decision to write off the debt from the accounts.
Bonuses	If you have not paid your bonuses by 30 June, you may still be able to claim a deduction provided you have an obligation to pay this. To substantiate this, ensure the amount is quantifiable and approved (via minutes) and the staff are notified of the bonus.
Deferring income	The ability of a business to defer income will depend on each business, cash flows and the type of income derived.
Plant and equipment	Consider the impact of the temporary full expensing provisions ending and whether your business can access the IAWO on the purchase of eligible depreciating assets during the 2023-24 income year.
Plant and equipment – obsolete	Review your asset register and write off any assets that have been disposed or are no longer in use.
Prepayments – immediate deductions	If you are a small or medium business (aggregated turnover of less than $50 million), you may be entitled to an immediate deduction for certain prepaid expenses where the goods or services will be provided within 12 months from the date of expenditure. Examples of items that may be deductible under the 12-month rule include subscriptions and prepayments of interest on a loan used for income producing purposes.
Simplified trading stock rules	If you are a small business (aggregated turnover of less than $50 million), the simplified trading stock rules may apply. Broadly, you do not have to account for changes in trading stock for tax purposes where the difference between the value of the original opening stock and a reasonable estimate of the closing stock is $5,000 or less.
Stock – obsolete	Review your stock on hand and identify any obsolete stock. You should conduct a detailed physical stock take of all stock on 30 June. Retain your detailed stock sheets as part of your taxation records.
Superannuation – June 2025 quarter	If you would like to claim a deduction for your superannuation guarantee accrued during the June 2025 quarter, ensure it is paid by 30 June 2025 (subject to cash flow). The amount should be received into the employees' fund by 30 June 2025 so you may have to pay it earlier to allow for bank processing times.

Item	Preserve your tax deductions
International related party dealings	Ensure your transfer pricing documentation is up to date.
Salary and wages (incl. director fees)	Ensure PAYG withholding and reporting obligations have been met to prevent loss of deduction for non-compliant payments.
Superannuation – current year	Ensure superannuation is paid by the due dates to maintain your income tax deduction. If any amounts have been paid late, ensure you have prepared and lodged the necessary superannuation guarantee charge forms with the ATO to minimise interest charges and penalties.

Item	Comply with ATO Year-end reporting requirements
Single Touch Payroll	Ensure year end payroll procedures have been completed and make a finalisation declaration. You must make a finalisation declaration for your employees by 14 July 2025.
Taxable Payment Annual Reports (TPAR)	If you are in these following industries, you will need to prepare a TPAR: • Building and construction • Cleaning services • Courier services • Road freight services • Information technology services • Security, investigation or surveillance services • Mixed services (provides one or more of the services listed above) Lodge the TPAR (if necessary) with the ATO by 28 August 2025.

Item	Comply with other income tax/ASIC requirements
Loans	Ensure your loans to and from companies and trusts comply with the current Division 7A provisions and ensure you have made the minimum repayments during the year for any complying Division 7A loans.
Dividends	Ensure you have reviewed your franking account and record any dividends paid to shareholders in your accounting systems. Ensure you have met your documentation / notification requirements.
Trust resolutions	In general and subject to the terms of the Trust Deed, a discretionary trust needs to resolve how to distribute its income in writing before 30 June.

Contact Us

With 550+ people across Australia, we are always near you. Visit our website or scan the QR code to find your nearest Moore Australia Advisor.

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