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Tips for minimising your tax bill this financial year

Get your calculators ready because it's end of financial year time again! A time when business owners around the country frantically reach out to their bookkeepers and accountants to ensure everything is in the best possible position before the 30 June cut-off date.

Nothing quite irritates a business owner as much as a letter from the accountant informing that you have a tax bill you need to pay. It's a cash outgoing that the overwhelming majority don't budget for.

To help minimise your business tax bill we have compiled a list of tax cutting tips. These will need to be done before 30 June so get on the phone with your accountant and bookkeeper today and determine what is appropriate for you.

- 1) **\$20,000 asset write-off** – The \$20,000 asset write-off scheme is “the big one” when it comes to minimising your tax bill before June 30. What it means is that any small business can immediately write off the full value of an asset in this financial year rather than over the life of the asset. So, if you're thinking about buying a new scan tool or hoist in the next couple of months then do it now before the 30 June deadline so the full asset amount can be offset against your taxable income.
- 2) **Pre-pay expenses** – If your business turnover less than \$2,000,000 per year then you claim deduction on prepaid expenses such as rent, interest, insurance, training courses ect. So if profits are up this year maybe prepaying and getting the deduction in advance

could be beneficial - just remember that you won't be able to claim it next year so for some people it's a little bit like robbing Peter to pay Paul.

- 3) **Write off bad debts** - Now is the time to review your debtors listing and write-off any debts that may have gone bad so you can claim the tax deduction this year. That said, be sure to exhaust all avenues of getting paid and document the efforts you have made to recover the money.
- 4) **Write off obsolete stock** - June is the ideal time to undertake a stocktake with a view to writing off any obsolete or damaged stock. It's also a good general business practice to get into to ensure you don't have dud stock hanging around or have too much money tied up in inventory.
- 5) **Ensure your wages are correct and superannuation payments are up to date** - This is the major thing business owners need to be aware of at this time of year. When superannuation is paid late it's not tax deductible (there is a 28 day exception here). That means if there are corrections made to wages after year-end or if some contractors were overlooked, then it's likely you'll miss out on those precious tax deductions. Not only that, but you may also be up for interest charges and administration fees to get everything brought up-to-date. Avoid this by reviewing all wages and contractor payments in June to make sure everything is paid up where it needs to be.
- 6) **Personnel super contributions** - If you've got some spare cash in the business you can take this opportunity to top up the super contributions for yourself to get up to the concessional contributions cap (\$30,000 for those under 49 years of age and \$35,000 for those older. Considerable tax savings can be made because contributions into your super fund are taxed at 15%, rather than your top marginal tax rate on those earnings.
- 7) **Employee bonuses** – If you pay bonuses then the end of the financial year is a good time for small businesses to sign off on any bonuses for employees. The actual bonus does not have to be paid before 30 June but there must a definite commitment in writing to the employee that they will receive a bonus.
- 8) **Pay tax debts on time** - It may sounds obvious, but once you have finalised your tax bill, make sure you pay it on time. From 1 July 2017 the ATO will be reporting businesses with tax debts of more than \$10,000 that have been outstanding for more than 90 days

without a payment arrangement to credit reporting bureaus. This could mean a black mark against your business's credit report for up to 5 years.

The above tips are general comments only. All business owners should have a chat, with their tax accountant before 30 June to ensure that their business is in the best shape it can be from a tax perspective. Do it before 30 June as many of the above tips need to be action now.

The place to start is www.tatbiz.net.au/resources

Just go for it!