

# MAKING TAX LESS TAXING

End-of-financial-year tax tips that will help make this annual exercise less difficult and more profitable.



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**“IT IS SO IMPORTANT TO ENSURE THESE PERCENTAGES AND DOLLAR AMOUNTS ARE RIGHT, OR FACE POTENTIALLY PAYING THOUSANDS OF DOLLARS MORE AT TAX TIME.”**

**W**ith the EOFY looming, companies have been facing a barrage of advertising encouraging them to spend in order to make the most of tax time. The problem is, sometimes your cashflow will not allow for such spending, and it can be confusing to know whether you should be spending at all.

To save you EOFY grey hairs, I offer my 14 end-of-financial-year tips you can use as a checklist to minimise your tax bill at the end of the year...

**1 Embrace the cloud:** There was a time not long ago when you had to keep every paper receipt tucked away in an envelope in an overstuffed filing cabinet. Now you don't need to keep paper receipts, and all your deductions can be stored safely in the cloud. If you are a business, you might want to consider such cloud-based accounting software as MYOB, Quickbooks or Xero.

**2 Incur or pay for deductions before 30 June:** This one seems obvious, but every year I meet so many business people who simply forgot to buy a new computer, upgrade their mobile phone or make a donation until after 1 July, when it's too late. The best idea is to make a list of what you need and a plan to buy it well before the end of June, when you may be tempted to forget.

**3 Take advantage of small-business concessions:** If your turnover is less than \$10 million, you can choose to pay tax on a cash basis, write off in full any asset that costs up to \$20,000, pool assets that use sweeteners which can save you thousands of dollars in tax.

**4 Delay invoicing before 30 June:** If you are a small business (less than \$10 million turnover) and you know that a customer pays you promptly and you will receive the money before 30 June, then delay invoicing until 1 July. Similarly, if

you are a larger business, consider delaying your invoicing until after July to defer tax as well.

**5 Incur expenses:** Many small-business owners think they need to pay for an expense to receive a tax deduction, but all you need to do is incur it (or receive the bill dated before 30 June). This goes for both large and small business. So order any equipment, stationery, materials you need and make sure you receive the bill dated on or before 30 June.

**6 Prepay expenses:** If you are a small business, you might consider prepaying expenses such as rent or insurance for up to 12 months.

**7 Act on stock on hand:** If you have slow-moving stock, consider writing it off before 30 June. For the rest of your stock, you have the choice of valuing it at actual cost, replacement cost or market value, so be sure you choose

whichever will give you the lowest price.

**8 Pay super:** If you have staff members, pay their superannuation before 30 June to receive a tax deduction this year, and make sure you pay super for yourself. Too many business owners risk not having enough super upon retirement. My rule of thumb for how much super you should be paying for yourself? At a minimum, the amount that would be paid if you were to go and get a job.

**9 Revisit your structure:** Does your business have the most tax-effective structure? If you are a sole trader, you have no choice but to pay tax on all the profits of the business, whereas this is not the case for other structures such as partnerships, companies or trusts. Asset-protection implications are also worth considering for changing structure, and while insurance can protect you, trading via a company or trust can provide another layer of protection.

**10 Be sure your log books are up to date:** For motor vehicles, this means the log book needs to be less than five years old. If you are in a company or trust structure and own cars in that entity, consider keeping a log book on those vehicles. Thanks to changes to FBT, the number of kilometres travelled is now irrelevant to the percentage on which your FBT is calculated. A 20 per cent flat rate applies when calculating a car fringe benefit under the statutory-formula method, regardless of how many kilometres the vehicle travels annually.

**11 Look into your crystal ball:** If you know you're going to drop income next year because you are going to take gardening leave, maternity leave or you're going to have some major expenses, you might want to look at the timing of your tax-deductible expenses. It may be worthwhile this year to prepay expenses while your income is higher. This may include travel,

insurance, interest on loans up to 12 months ahead or insurance.

**12 Plan if selling your business:** If you have sold your business this year, it is incredibly important to tax plan now. If you are a small business, you may be entitled to small-business capital gains concessions, but you need to trigger some of them before 30 June to take advantage. For example, you can pop profits into superannuation, but if you fail to do this transfer before 30 June, you'll miss out.

**13 Sort out family trust resolutions:** It is now mandatory for discretionary trusts to have a written trustee resolution before 30 June showing the intended distribution of income to family members. It is so important to ensure these percentages and dollar amounts are right, or face potentially paying thousands of dollars more at tax time.

**14 Claim everything to which you are entitled:** Be sure you know what you can claim. For example, if you are on the road for work (or work outside) you can claim sunscreen, so if your foundation, lip balm or moisturiser has an SPF factor then you may be able to claim it. You can also claim for a home office, internet, travel, training, handbags, food when travelling overnight and so much more.

Saving tax is a little like trying to find the perfect pair of jeans – it needs research and a little legwork, but if you are willing to put in the effort you will have a great result. If you don't, then you really can't complain.

Prioritise this list with the things you can easily do before 30 June, then, as a modern-day philosopher once said, just do it. Of course, if you need more help be sure you call a great accountant who should be hassling you to do your tax planning now. ■

