TAX PLANNING FOR SMALL BUSINESS

As a small business owner, it's important you consider how best to plan for the end of the financial year and next year. Here are strategies we are recommending to clients to help manage their tax and financial position leading up to 30 June 2019:

1. Take Advantage of the Increased Instant Asset Write-off

Businesses with an annual turnover under $50 million can utilise the instant asset write-off of up to $30,000 depending on the timing of their purchase, and to increase their available deductions and reduce tax.

Purchase date or date asset first used for taxable purposes	Threshold for each asset
7.30pm (AEST) 12 May 2015 to 28 January 2019	$20,000
29 January 2019 to before 7.30pm (AEDT) 2 April 2019	$25,000
7:30pm (AEDT) 2 April 2019* to 30 June 2020	$30,000
From 1 July 2020	$1,000

*Businesses with a turnover of up to $50 million can utilise the instant asset write-off from this date onwards.

2. Pay Yourself Super prior to 30 June 2019

Individuals can claim a tax deduction for super contributions up to a limit of $25,000 where the required conditions are met.

In order to be deductible, individuals will need to notify their super fund of their intention to claim a deduction prior to the earlier of:

- The day you lodge your tax return for the year in which you made the super contribution; or
- The end of the financial year following the one in which you made the contribution.

Before making a contribution, ensure you have not already exceeded the $25,000 cap as excess contribution tax can apply. Note that the cap applies to payments made under employer super guarantee obligations as well as personal super contributions.

You can also consider making a contribution on behalf of a spouse whose income is less than $40,000, to be eligible to receive a tax offset up to a maximum of $540.

3. Make Your Staff Super Payments Before the End of the Financial Year

The ATO only allows tax deductions for super payments in the current financial year they are received by the super fund, so while paying your employees' super for the June quarter isn't due until 28 July 2019, bringing the payment forward can provide a better tax deduction in the current financial year.

4. Consider Prepaying Expenses to Reduce your Tax

Subject to your cash flow, you may consider prepaying certain expenses to bring forward your deductions to the current financial year. This is a particularly useful strategy where income is higher in the current finanical year than forecasted for the next financial year.

As a general rule, income is not considered to be derived until it has been earned by providing the relevant service, so separating your assessable income, and income received in advance, can help defer and manage your tax.

5. Defer Income to Smooth out Cash flow

It may also be beneficial to defer receiving income to the next financial year where income may be lower and/or your tax rate is expected to be lower. The benefit of this is reducing your assessable income and thereby your tax expense, as well as smoothing out your cash flow.

6. Review any Debts Needing to be Written-Off

Bad debts are only deductible in the year they are written-off, so it important you review your receivables coming up to the end of the financial year to see what invoices (if any) should be written-off as unrecoverable. You will also need to factor in any GST adjustments that need to made as a result of writing-off debt.

7. Review your Stock, Plant, and Equipment

You should review your stock on hand, work in progress and the value of your plant and equipment before 30 June 2019. Any old or obsolete stock can be written-off in this financial year. Any old plant and equipment may be able to be written-off as obsolete, and then new purchases are able to be written-off using the instant asset write-off (set out above). You should also review your work in progress to match the income with the expenses on jobs or orders which may straddle both this financial year and next financial year.

8. Structure the Timing of Capital Gains and/or Losses

Depending on your income and the capital losses you have available, you should review the timing of realising any capital gains i.e. in a low income earning year to help reduce tax or, in a financial year wherein capital losses have also been incurred.

As an alternative, small businesses can access specific Capital Gains concessions that can allow them to defer and reduce their Capital Gains Tax (CGT). Contact us for additional information if you have incurred a Capital Gain and require assistance in reviewing this.

9. Review your Division 7A Loans

If you're operating using a company structure and have taken monies from the company, the ATO may deem you to have a Division 7A Loan. These types of loans should be documented in an Agreement and they have specific interest and repayment requirements and terms requiring review on an annual basis. Division 7A Loans are complex and can result in an additional tax expense so we recommend ensuring you have considered whether:

- Your Division 7A Loan Agreement is compliant; and
- You are making your minimum repayments on the required terms.

10. Ensure you are ready for Single Touch Payroll (STP)

From 1 July 2019, if you have employees, you are required to comply with STP. Briefly, what this means is that you will need to have STP-enabled software to process your payroll or use a payroll service provider to report to the ATO on your behalf. You will no longer be required to lodge Payment Summaries as the ATO will retrieve this data electronically, so it's important to ensure you are compliant prior to the next financial year.

We can answer any questions you have in regards to setting up STP and have covered this in more detail in our newsletter in May 2019, please click here.

11. Review Personal Tax Deductions

As a business owner, make sure that you also review your personal tax deductions so that they are in your own name or in the business name. For more details, please click here to see our Fact sheet.

With time running out, we recommend taking time to sit down with your accountant and financial planner to look at what strategies can work for you. AustAsia Group can offer tax planning advice so don't hesitate to contact us to arrange a meeting to discuss further.

If you have any questions or concerns on how these could impact you, please contact our Client Services Team on (08) 9227 6300 or email clientservices@austasiagroup.com for more information.

How can we help you?

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