

2017 Business Tax Planning Guide



Tax planning should be done on a regular basis throughout the year.

Imagine what you could do with tax saved?

- Reduce your home loan
- Top up your super
- Have a holiday
- Deposit for an Investment Property
- Upgrade your Car

Here's a guide to the strategies you can use to minimise your business tax.

1 IS YOUR BUSINESS A "SMALL BUSINESS ENTITY"?

Small businesses can access a range of tax concessions from the ATO. To qualify as a "Small Business Entity", the business must have an aggregated turnover (your annual turnover plus the annual turnover of any business connected / affiliated with you) of less than \$2 million and be operating a business for all or part of the 2017 year.

In the 2016/17 Budget, the Government announced an increase to the Small Business Entity turnover threshold from \$2 million to \$10 million from 1 July 2016. **This legislation is still waiting to be passed by Parliament.**

2 REDUCTION IN COMPANY TAX RATES FOR SMALL BUSINESSES

The company tax rate for businesses with less than \$2 million turnover (and possibly less than \$10 million turnover) is expected to reduce from 28.5% to 27.5% for the year ended 30 June 2017.

If you use a Trust structure, one strategy is to allocate profits to a "Bucket Company" and cap your tax at 27.5% for the 2017 year. Note that this company must have business operations to qualify for the reduced company tax rate.

3 INSTANT DEDUCTION FOR ASSETS LESS THAN \$20,000

If your business is a Small Business Entity, the following tax

concessions apply:

- Depreciating assets valued at less than \$20,000 will be immediately deductible
- Depreciating assets valued at more than \$20,000 will be depreciated in one pool at a rate of 15% in the first year and 30% in future years
- If your pool balance at the end of the year is less than \$20,000 before applying any other depreciation deduction, the entire pool balance can be written off.

You should buy these assets before 30 June 2017.

If your business is not a Small Business Entity, you will need to Depreciate all assets purchased over \$300. Any assets purchased for \$300 or under can be immediately deducted.

4 MAXIMISE DEDUCTIBLE SUPER CONTRIBUTIONS

The concessional superannuation cap for 2017 is \$30,000 per year for persons under 49 as at 30/6/16, and \$35,000 for persons aged 49 to 74. Do not go over this limit or you will pay more tax!

Note that employer super guarantee contributions are included in these caps. Where a concessional contribution is made that exceeds these limits, the excess is included in your assessable income and taxed at your marginal rate, plus an excess concessional contributions charge.

For the contribution to be counted towards the employee's 2017 contribution cap, it must be received by the fund by 30 June 2017.

5 TOOLS OF TRADE / FBT EXEMPT ITEMS

The purchase of Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to buy equipment with a tax benefit.

Items that can be packaged include Handheld/Portable Tools of Trade, Computer Software, Notebook Computers, Personal Electronic Organisers, Digital Cameras, Briefcases, Protective Clothing, and Mobile Phones.

If structured correctly, the Employer will be entitled to a tax deduction for the reimbursement payment to the employee (for the equipment cost), claim any GST input credit, and the employee's salary package will only be reduced by the GST-exclusive cost of the items purchased.

You should buy these items before 30 June 2017.

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6 PAY EMPLOYEE SUPERANNUATION NOW

To claim a tax deduction in the 2017 financial year, you need to ensure that your employee superannuation payments are received by the super fund or the Small Business Superannuation Clearing House (SBSCH) by 30 June 2017.

You should avoid making last minute superannuation payments as processing delays may cause them to be received after year end. If for any reasons you end up having to make last minute payments and you would like to claim them as deductions for the currently year, contact us immediately and before you make any payments for possible resolutions

7 DEFER INCOME

If possible, defer issuing further invoices and receiving cash/debtor payments until after 30 June 2017. This strategy will be particularly effective for companies in the \$2 million category whose tax rate is expected to reduce from 28.5% to 27.5% for the 2017 year.

8 BRING FORWARD EXPENSES

Purchase consumable items BEFORE 30 June 2017. These include marketing materials, consumables, stationery, printing, office and computer supplies. Spend the money now and get the deduction this year.

9 REPAIRS & MAINTENANCE

Make payments for repairs and maintenance (business, rental property, employment) BEFORE 30 June 2017.

10 DEFER INVESTMENT INCOME & CAPITAL GAINS

If possible, arrange for the receipt of Investment Income (e.g. interest on Term Deposits) and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2017.

The Contract Date is generally the key date for working out when a sale occurred, not the Settlement Date!

11 MOTOR VEHICLE LOG BOOK

Ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2017. You should make a record of your odometer reading as at 30 June 2017, and keep all receipts/invoices for motor vehicle expenses.

An alternative (with no log book needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

12 INVESTMENT PROPERTY DEPRECIATION

If you own a rental property and haven't already done so, arrange for the preparation of a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

13 PRIVATE COMPANY ("DIV 7A") LOANS

Business owners who have borrowed funds from their company in previous years must ensure that the appropriate principal and interest repayments are made by 30 June 2017. Current year loans must be either paid back in full or have a loan agreement entered in before the due date of lodgement for the company return or risk having it counted as an unfranked dividend in the return of the individual.

14 YEAR END STOCKTAKE / WORK IN PROGRESS

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2017. Review your listing and write-off any obsolete or worthless stock items.

Talk to us about your different options for valuing Stock, and how they affect your tax payable.

15 WRITE-OFF BAD DEBTS

Review your Trade Debtors listing and write off all Bad Debts BEFORE 30 June 2017. Prepare a management meeting document listing each Bad Debt, as evidence that

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these amounts were actually written off prior to year-end, and enter these into your accounting system before 30 June 2017.

16 SMALL BUSINESS CONCESSIONS - PREPAYMENTS

“Small Business Concession” taxpayers can make prepayments (up to 12 months) on expenses (e.g. Loan Interest, Rent, subscriptions) BEFORE 30 June 2017 and obtain a full tax deduction in the 2017 financial year. With proposed changes to the tax rate of SBE companies, prepaying expenses could save more tax now than it would do next year.

17 TRUSTEE RESOLUTIONS

Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2017 for all Discretionary (“Family”) Trusts. Please see us for more information about these resolutions.

**Talk to us TODAY before the 30 June 2017 deadline for
assistance to reduce your tax!**

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