

## MJA's Tax Planning Checklist

Tax is a significant cost to your business. Yet far too often we see business owners avoiding tax planning until it's too late to make meaningful decisions that could save money. To ensure that Coffs Harbour businesses are ready for 30 June here's MJA's Tax Planning Checklist.

### Conduct a thorough stocktake.

If your business carries stock, then a stocktake may be legally required before year-end. If your business turnover is less than \$10million and the value of your stock has changed by less than \$5,000 since last 30 June then the ATO does not require a formal stock count. Even if you are not legally required to count stock, we still recommend a thorough stocktake so you can keep a handle on your inventory. Make sure you identify any unsalable or damaged stock that can be claimed as a tax deduction.

### Review all equipment and write off obsolete stock.

Take a careful look at your asset register. Make sure any assets you are no longer using are fully written down.

### Clarify what new equipment is required.

Small businesses can immediately write-off assets costing less than \$20,000. For larger assets, the ATO lets you write down 15% in the first year, regardless of when acquired in that year. So if you are expecting to purchase equipment in the next 6 months, consider buying before 30 June.

*Tip: Consider your cash flow before investing and don't rush out and buy equipment you don't need just to lower your taxes!*

### Review your debts and write off any bad debts.

There's no point paying tax on money you are unlikely to collect. You can claim a deduction for any debt outstanding for 12 months or more that you have made a reasonable effort to recover.

*Tip: If you calculate your GST on an accrual basis, don't forget to claim a refund for the GST you paid to the ATO when you issued the original invoice.*

### Review expected income leading up to year-end.

The tax office assesses your income when an invoice is issued (unless you are a sole trader operating on a cash basis). So it may be advantageous to hold off invoicing some clients until July. Carefully consider your cash flow position before deciding to hold invoicing.

### Plan to repay directors' loans.

Unless you have an agreement in place, directors or shareholders loans must be repaid by the lodgement date of the Income Tax Return for that year. Ignoring this could result in an unfranked dividend paid to the shareholder – which means you effectively pay tax twice!

### **Prepare to pay superannuation before 30 June.**

Officially your staff super payments are not due until 28 July. But, if you pay before 30 June, those super payments will be deductible in this fiscal year. This is one expense it almost always makes sense to bring forward (although you should still consider cash flow before making the call).

### **Review personal superannuation.**

Where possible, we recommend that small business owners top up their personal super contributions to the maximum concessional contribution caps. The maximum levels for the 2016/17 year are \$35,000 for anyone aged 49 years or over as at 30 June 2016, and \$30,000 for anyone aged 48 or under at 30 June 2016. This is a tax effective way to take money out of your business.

### **Determine payment schedule for staff bonuses and/or dividends.**

If you are planning to pay bonuses or dividends consider the timing of the payment. If you make bonus payments this fiscal year you will be able to claim a tax deduction. With a dividend payment, a delay in payment will give you an extra year to pay the tax on it.

### **Trust structures determine beneficiaries for year-end.**

If your business is trading as a trust, the trustee will need to determine which beneficiaries will receive distributions before year-end.

### **Talk to your accountant and business advisers!**

The good news about accountants is their fees are deductible. The even better news is that they can navigate through the mire of tax legislation to help you effectively plan and optimise your tax obligations.

We encourage you to talk to your accountant well before 30 June!

*MJA Business Solutions work closely with our clients to help them plan for growth and profitability. Tax planning is an important part of business planning! If you need help, give us a call or visit our website.*

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