

TAX TIPS FOR 2018

With the end of the financial year only weeks away, please find below a list of income tax saving tips to consider. If you feel that any of these may suit your circumstances, then please do not hesitate to Sam Santoro at your earliest convenience.

PREPAID EXPENSES

One of the more common year-end strategies to reduce income tax is to bring forward deductions by way of a prepayment. An expense can be prepaid for a period up to 12 months in advance when paid by a small business entity (broadly a turnover of less than \$5m pa) or by a non business individual. Some common examples of business expenses commonly prepaid include:

- Professional Fees
- Rent
- Stationery
- Printing
- Insurances

For other businesses the deductibility for prepaid expenses is broadly limited to amounts less than \$1,000 to amounts required to be paid by law or to amounts paid as salary or wages.

MINOR ASSET PURCHASES

With the last years' announcement from the May 2018 Federal Budget, asset purchases under \$20,000 for small business entities (with turnover of less than \$10 million) are immediately deductible in the year of purchase. Items such as machinery, forklifts, printers, tools and leasehold property improvements or business furniture are such examples.

Assets purchased under \$300 for non-business individuals are also immediately tax deductible and may include work asset purchases such as mobile phones and PDA's or rental property asset purchases.

For other businesses (large with turnover over \$10m pa) there is an immediate deduction for expenditure of \$100 or less and for assets costing more than \$100 but less than \$1,000 the expenditure is pooled and written off at an accelerated rate.

INTEREST PREPAYMENTS

Investors are limited in the types of expenditure that can be prepaid. Interest is, however, one expense that should be considered as it has the effect of accelerating a deduction from a subsequent year to a current year. Similarly, prepayment of finance lease payments of 12 months in advance could assist with your end of year tax planning process. If you have rental properties as a part of your tax effective planning, then you could consider the prepayment of up to 12 months interest on your loans. Please ensure that you seek advice from your financial institution on their ability to do this.

MOTOR VEHICLE CLAIMS

Ensure that you have all relevant documentation to maximise your income tax deduction when claiming your business related motor vehicle use. This may include ensuring that a relevant and up-to-date logbook is being maintained. Although the same log book can be used for up to five years, it is always worth reviewing to see if travel patterns have changed. For the 2017 financial year, a motor vehicle may be claimed in any one of two (2) methods;

- Log Book Method
- Cents per Kilometer Method

Please note that recent Federal budget announcements have confirmed that the 1/3 of Running Costs Method and the 12% of Cost method are no longer be available in the 2016 financial year and in future financial years.

SUPERANNUATION CONTRIBUTIONS

A great way of reducing your annual income tax liability and build your future wealth is to contribute to your superannuation fund. Self employed business operators are able to claim an income tax deduction for 100% of their contributions to superannuation, limited to \$25,000 for all individuals. There are some transitional rules that may allow you to contribute more to superannuation, please seek advice from your accountant and financial planner relating to these rules.

GOVERNMENT CO-CONTRIBUTIONS

All employees and self employed persons with a net income of less than \$50,454 are able to contribute to their superannuation fund a maximum undeducted amount of \$500 to apply for the government co-contribution. The government will pay \$0.50 for every dollar contributed in this manner. There is a reduction of the amount the government contributes of 3.33c for every dollar of taxable income over \$35,454.

DELAY SALE OF CAPITAL ASSETS

The sale of capital assets (property, shares, business's etc) occurs from the date of a signed offer and acceptance form. If you feel that an asset to be sold has a capital gain component, then it is prudent to analyse whether it be better to hold off on the asset sale until after 30 June. On the other hand, if you have already incurred capital gains during the year, and you hold assets that are currently in a loss position, then it may be worth analysing whether it be better to sell these assets to offset against any current capital gains. A review of your share portfolio for underperforming share stocks is recommended.

DIVISION 7A LOAN REPAYMENTS

If you currently have a Division 7A Loan Agreement in place, then it is advisable that you make the required loan repayment to the company before the 30 June, to avoid future penalties or treating the loan as a dividend.



WRITE OFF BAD DEBTS	A review of your debtors listing may provide you with the ability to write off bad debts. This will have the effect of reducing your taxable income. Bad Debts MUST be written off before the 30 th June each year.
DECLARATION OF EMPLOYEE BONUS's	If you intend to pay an employee bonus in the new financial year, then by preparing a company minute stating the amount of the bonus and the expected date of payment, you are able to claim this deduction in the current year, rather than in the year it is paid. This is a similar process and deduction for accruing Directors Fees.
TRADING STOCK	Review your inventory for obsolete stock and arrange for it to be scrapped before the 30 June. This brings the cost of that stock directly to account and therefore allows for the claiming of it as a tax deduction.
SALARY SACRIFICING INCOME TO SUPERANNUATION	For those who are wage and salary earners, a popular way to reduce your taxable income in a financial year would be to salary sacrifice some of your remaining pays for the financial year to superannuation. This will have the effect of reducing tax payable at high marginal levels to 15% in a complying superannuation fund. Please ensure that you DO NOT exceed your age based superannuation contribution cap.
REPAIRS & MAINTENANCE	If you own rental properties and they are available for rent, it may be wise to review the status and condition of the properties and arrange for any repairs and maintenance issues to be commenced and/or completed in this financial year. Other items such as pest control, gardening expenses and gutter cleaning are also to be considered.
PAYMENT OF EXPENSES	The general “rule of thumb” is that an expense is not deductible until it is actually paid. Based on this individuals and business’s should ensure that all of their expenses (which they wish to claim) are paid and deducted from their bank accounts prior to the 30 June. These may include; <ul style="list-style-type: none">• Employee Superannuation• Accounting and Professional Fees• General operating expenses• Lease payments• Subscriptions• Trade Accounts• etc.....
FINALISE TRUSTEE RESOLUTIONS	It is law and imperative that trustee income distribution resolutions are tax planned, prepared and signed BEFORE the 30 th June.
TOP 5 FORGETTEN CLAIMS	Take a look below – do any of these deductions apply to you? Are you keeping proper records to make sure you get the best possible tax refund? <ol style="list-style-type: none">a) Cost of Managing your tax affairs including your tax agent accounts and postage and travel to the agentb) Union Dues and Professional Subscriptions related to your workc) Work Related Car expenses – (refer to previous page “Motor Vehicle Claims)d) Internet Expenses related to working from home (One month diary required)e) Mobile Phone Usage Expenses relating to your work or business (One month diary may be required). Ensure you keep the appropriate records to support your claim(s).
DELAY OF INCOME RECEIPTS	It may be prudent to delay the receipt of income from investments such as joint ventures and rental properties so that it falls into the following year, where your taxable income levels may be less.

In addition to the above, you should **ALWAYS** consider Cash Saving Tips such as;

1. Review interest rates on your mortgages to save on interest costs
2. Review Cash Availability and increased loan capacity for investment purposes
3. Review household expenses and save on luxury and entertainment items where possible
4. Review you income protection to protect your most valuable asset.....Income !!
5. Review life, income protection and general insurances for value and cost
6. Check the Lost Super Website for superannuation held in your name.
7. Review your personal Superannuation statement and analyse its performance in the past 6-12 months, ensuring that the invested funds are in portfolios and asset classes that you are comfortable with on a “Risk vs. Return vs. Liquidity” basis.

As a final note, where financial information is concerned, it is **VERY** important that the privacy and security of such information is securely stored and protected to reduce the risk of identity theft.