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Are You Paying Too Much Tax? Tax Planning Checklist & Tips

It is timely for you and your business to start planning for your impending taxation liabilities and implementing strategies to help minimise the burden these liabilities may have upon your business' cash flow.

So it's time to get your tax planning checklist together to ensure you achieve the best tax outcome possible.

1. A discretionary (family) Trust should generally be a part of your business structure.

A trust provides optimal 'asset protection' and by far the best flexibility and overall tax outcomes.

2. Consider restructuring the company shareholding to utilise equity in the business.

Potential to utilise inherent business goodwill to pay out your private mortgage (and convert non tax deductible mortgage into tax deductible debt!)

3. Always pay off non-tax deductible debt first and don't mix investment and personal debt.

Tax deductible loans (eg for rental properties / shareholdings / business) should be 'interest only' until the home mortgage and any other private loans are completely paid out.

4. Leases, Chattel Mortgages and Hire Purchase Agreements are all different.

Generally chattel mortgage (or equipment finance) provides tax and GST relief more quickly. Leasing provides particular benefits including simplicity when salary packaging.

5. Ensure you are not caught by the 9.5% superannuation guarantee for your "contractors".

Ensure that contractors are not in fact employees. Getting this wrong could result in substantial PAYG and Superannuation assessments from the ATO.

6. Bonuses and Director Fees

If you are planning to pay bonuses or directors fees, make sure that these are declared before June 30. They do not have to be paid before June 30 to receive a tax deduction, but the company does need to be legally committed. This is normally achieved by a director's resolution approving the bonus or fee. Do this and the company takes the deduction into this year. The recipient does not need to declare it on their personal return until the year of actual receipt.

7. Avoid paying Land Tax

Properties can be held in separate discretionary trusts to avoid, or greatly reduce, land tax liabilities (ie trusts are generally not 'grouped' for Queensland land tax assessment purposes).

8. Manage your Fringe Benefits Tax (FBT).

FBT is applied at the highest marginal tax rate (46.5%). This should be proactively managed and avoided where possible.

factsheet

9. Superannuation contributions

Super is an environment which is taxed at a flat 15% (ignoring high wealth), potentially 10% Capital Gains Tax (and in some cases nil %), nil medicare levy.

10. Acquisition of assets before 30 June

For small business entities – immediate write off for some assets is available.

11. Review assets which could trigger capital losses in the same year as capital gains

12. Correctly value closing stock

Write off any obsolete stock.

13. Review your Accounts Receivable / Debtors

Write off any unrecoverable amounts

14. Prepay expenses for small business entities for the following twelve months

15. Have your discretionary trust resolutions completed before 30 June

Consider the use of all potential beneficiaries on lower tax rates and asset protection companies.

16. Maintain an accurate logbook for your business vehicle.

In conclusion, tax planning is an important part of your financial, business and wealth creation strategies. However, it's always important to consider the commerciality of your planning and whether overall it is consistent with your business strategy and wealth creation goals.

So, it is important to ensure that you are doing all that you can to legally minimise your tax liability. Please recognise that this is not something done just before year end. It should be an ongoing process, taking into account changes in legislation as well as your own personal circumstances.

At Marsh Tincknell, we provide tax planning services at both the corporate and personal level to ensure you optimise your financial position.

Should you wish to discuss the above issues in further detail, please do not hesitate to contact Marsh Tincknell on 07 3422 8000 or info@mtaccountants.com.au