

Tax Planning for Businesses – 2018

Asset Disposals

Consider deferring the disposal of assets that will generate a capital gain until after 30 June. Where there are some assets with unrealised capital losses, consider selling those assets before selling assets with unrealised capital gains. This will allow the capital loss to be used to offset the capital gain.

Company Tax

The company tax rate is currently 30% and 27.5% for businesses with turnover less than \$25 million.

Superannuation Contributions

Ensure superannuation contributions are paid into superannuation funds prior to 30 June to ensure a tax deduction for your business in the current year. With the new super stream operating as a clearing house, please allow time for the contributions to be received by the fund.

From 1 July 2017, caps on concessional super contributions have been lowered to \$25,000 per year irrespective of age. Non-concessional contribution limits (after tax contributions) have been reduced to \$100,000 per year.

Superannuation Guarantee Amnesty

On 24 May 2018, the government announced the commencement of a 12-month Superannuation Guarantee Amnesty (the Amnesty).

The Amnesty is a one-off opportunity for employers to self-correct past super guarantee non-compliance without penalty.

Subject to the passage of legislation, the Amnesty will be available from 24 May 2018 to 23 May 2019.

Single Touch Payroll

Single Touch Payroll requires businesses to report all wages paid, each pay cycle to the ATO electronically. This will be introduced from 1 July 2018 for businesses with 20 or more employees (excluding directors) as at 1 April 2017. From 1 July 2019 this will be expanded to businesses with less than 20 employees. If you are currently using cloud-based software, this reporting function should already be available. If you are not using cloud-based software, please contact your TAG Financial Services adviser.

Immediate write off for Small Business

Up to the 30 June 2019, small businesses with a turnover of up to \$10 million annually can immediately write off the cost of eligible new business assets costing less than \$20,000.

Small Business Entity Concessions

If you carry on business and your aggregated turnover is less than \$2 million or you own net assets of less than \$6m, you may be able to access certain concessions including:

- CGT concessions
- Immediate deductions for certain prepaid expenditure
- Simplified depreciation and trading stock rules

Wages or Dividend

In certain circumstances, it may be beneficial for a business owner to receive fully franked dividends from the company rather than wages. In particular, a dividend may be preferred where the company is in a break-even or loss situation. Discuss this topic with your TAG adviser prior to lodging your Annual PAYG Summary.

Income in Advance

Where you have received income that relates in part or in full to services or goods you have not provided prior to 30 June, record that income so that it can be taken up as income in advance rather than as earned, taxable income. This will defer the recognition of the income until the next financial year.

Delay Raising Invoices

Wherever possible without affecting your client relations or cashflow of your operations, do not raise invoices for work that can be delayed until the new financial year. This will have a direct impact on your bottom line by reducing your sales income for the current financial year.

Valuation of Trading Stock

Businesses can value their stock at the lower of actual cost, replacement cost or market selling value - different methods can be applied to different stock lines. A reduction in the holding value of stock will reduce the profit of the business by the same amount.

Bonuses/Directors Fees

Bonuses/Directors Fees that have been incurred and committed (by minute) to by the business prior to 30 June (and are not subject to discretion) may be claimed as a tax deduction by the business.

Company Loans to Shareholders

Company loans to shareholders (and their associates) may become a deemed unfranked dividend (resulting in additional tax to be paid by the shareholder) if not repaid before the end of the financial year or put on loan terms. These rules also extend to:

- trusts where there has been a loan to a shareholder and the trust owes money to a company, and
- distributions a trust makes to a company, which have not been paid.

These loans either need to be repaid or documented in a 7-year loan agreement (with repayments) to avoid the application of Division 7A rules.

Bad Debts

Analyse your list of debtors prior to 30 June to identify those debtors you consider unlikely to be collected. In order to claim a tax deduction for these bad debts, you need to physically write them off before 30 June.

Trust Distribution Minutes

The ATO now requires trustees to prepare and sign distribution minutes prior to 30 June each year. This requires using estimates and forward planning to predict the best tax result. Failure to correctly prepare a distribution minute will result in tax being paid by the Trust at the top marginal rate. We recommend you contact your TAG adviser to discuss potential strategies for trust distributions.

Appropriate Structuring

One of the most effective and underrated tax planning tools is to ensure that your business operations are correctly structured through the use of companies, discretionary trusts and individual beneficiaries. Call us to discuss whether your current structure is right for you.

More Information

If you have any questions after reading this or would like to book in a time to plan your tax before the end of the financial year, please contact your TAG Financial Services adviser on (03) 9886 0800 or via email.



Tony Rule, CA
Partner, Business Advisory and Tax
Ph.: 03 9886 0800
Fax: 03 9886 0844
Email: tonyr@tagfinancial.com.au