

10 things you *must* do before the end of financial year

We understand. Having your accountant tell you how to prepare for the end of the financial year is a bit like your dentist telling you to floss every day or that recent advertising campaign extolling the virtues of eating an 'apple a day'. We know we should *but...*

So, we're making it easy for you with these top tips to save your business cash and make sure you don't pay more tax than you need to.

1. Got bad debts?

Very few businesses survived the GFC without having a few bad debts. You know those customers who moved through the cycle from being friendly and upbeat "yes, we'll pay that by the end of the week" to being downright cranky "we'd said we'd pay you!" to just being unavailable "...he's not here right now." You know it's been tough to collect your payments when your Office Manager gives you a high five when a payment comes in. When did getting paid move from a normal part of business to an achievement? If you have tried everything to recover the debt and you are sure there is no hope of being paid, you can write-off the debt this financial year and claim it as a deduction.

2. Taking stock of your stock

Here's some good news for small business. You might not need to do a stocktake (...and the angels sing, hallelujah!). If your business has a turnover under \$2 million, you might be able to use the simplified trading stock rules if the difference between your opening stock balance and your closing stock balance is less than \$5,000.

For everyone else, you still need to do a stocktake but you can use the stocktake to take care of any obsolete or damaged stock that is unnecessarily sitting around. Once identified, you can choose to value the stock at the lower of cost, replacement, or market sale price. This means that stock that is completely obsolete or damaged can effectively be written off for tax purposes if it has no value in the market and claimed as a deduction.

3. Have you made a profit on any assets or has the value tanked?

If the business has made a profit on the sale of any assets during the year it's likely you're going to be hit with capital gains tax. If you have not entered into a contract of sale yet, think about deferring the sale contract until after the end of the financial year to defer the capital gains tax.

On the flip side, if your business has any CGT assets that are worth less than what you paid for them, think about selling them pre 30 June and crystallise the loss. You can use the loss to offset against any capital gains you made throughout the year and reduce the tax you are likely to pay on those gains. You need to make sure the sale contract is entered into before 30 June to claim the loss this financial year.

4. Making the most of plant & equipment deductions

If you operate a small business with a turnover under \$2 million, you might be able to claim an immediate deduction for the cost of certain assets under \$1,000.

10 things you *must* do before the end of financial year

For everyone else, take a look at your asset register. If you have redundant or damaged plant & equipment that has no value and you are unlikely to use in the new financial year, you might be able to claim the remaining tax written down value.

5. Investment Allowance – will the Tax Office reject your claim?

The Investment Allowance was advertising Viagra for almost every business-to-business product last year. Depending on the size of your business, the Investment Allowance offered an additional deduction of up to 50% on the purchase of deductible assets for use in your business. But, to be able to claim the investment allowance there are conditions.

The first is the timing of the purchase (or when you entered into the contract). You had to have purchased the asset or entered into the contract by 31 December 2009.

The second is when you actually started using the asset. If you want to claim the Investment Allowance in your return this financial year, you need to either have actually used the asset by 30 June or have it installed and ready to use by this date. If you miss this date, you have until 31 December this year to be using the asset otherwise you will not be able to claim the Investment Allowance.

The Tax Office is likely to be looking closely at Investment Allowance claims to make sure the correct amount has been claimed and that the asset meets all the conditions. Make sure you have your paperwork in order to back up your claim. There would be nothing worse than buying a big ticket item with the expectation that the cost will be partly offset by the Investment Allowance only to find you don't qualify.

6. Paying bonuses to your team or directors' fees?

If you intend to pay Directors' fees or bonuses to your team, you can claim the deduction in this financial year if you let the people affected know, before 30 June, that the fee or bonus will be paid. Just make sure that you have proof that you advised them pre 30 June and you have a minute noting that the fee or bonus will be paid. The payment does not have to be made this financial year to claim the deduction. If the payment is not made until July, the person will not have to declare the income until the next financial year.

7. Making the most of related entities

If you're charging management fees between related entities, make sure the fees are raised pre 30 June (and minuted) to claim the deduction this year. You also need to make sure that the charges are commercially reasonable as this is an area that the Tax Office is looking very closely at! We're sure you're brilliant but unless your last name is Trump charging \$500,000 for your input into the other business just might not be reasonable.

8. Bringing forward deductions for things you are going to buy anyway

You can bring forward deductions and increase your refund (or reduce your tax debt) simply by taking a look at what you need to spend money on in the New Year and acting on it now.



10 things you *must* do before the end of financial year

For example, you might need repairs to be done, want to replenish your stock, or need to make trade gifts or corporate donations. It's not always necessary to pay for the items this financial year, as long as you have the invoices and purchase orders for this financial year to support the deduction.

9. Taking cash out of the company

If you have paid any cash to Directors or shareholders or paid any expenses on their behalf then these 'debts' need to be repaid to the company by the lodgement date for the company's tax return or an agreement needs to be in place to repay the debt. If existing agreements are in place make sure that the minimum repayments due by the end of the financial year have been made. If the payments are being made from distributions, the dividends need to be declared and documented before the end of the financial year.

10. Accelerate super

If you have the cash available, think about paying your employees' superannuation contributions for the June quarter before the end of June. This way, you can claim the deduction now rather than waiting another 12 months.

If you're a Director of the company, you can also top up your own super contributions. Just make sure you don't breach the contribution cap limits.

Superannuation contributions are deductible in the year that the contribution is received by the trustee. Be sure to check how long your payment method takes to process – if you're paying just before the end of the financial year the payment may not be received by the Trustees until the new financial year – therefore, the deduction for the contribution cannot be claimed this financial year.

You can save a lot and often defer the tax you need to pay if you get your timing right. If you want to know how you can take advantage of any of our top tips, call your Accounting North Client Manager today.

07 5443 4988

www.accountingnorth.com.au