Year-end tax planning insights for businesses

- The federal government has recently announced that they will extend the small business asset write off to assets costing $20,000 or less until 30 June 2019. This represents a significant opportunity for businesses to invest in their assets and claim an immediate deduction. Don't forget that the definition of a small business has now been extended to those turning over less than $10million!

- In some circumstances, small business can prepay up to a years worth of expenses to obtain a tax deduction sooner. Expenses like insurance premiums, subscriptions, memberships and interest all potentially qualify to be pre-paid.

- Do you want to reward your employees for a job well done? Instead of giving them a cash bonus, consider providing them with an iPad as a reward instead. These items are exempt from FBT if their dominant use is work related, which means you and the employees aren't taxed on the receipt of these assets.

- Many businesses have already transitioned to cloud based accounting programs. If you are interested in doing this, start the discussions now as it is much easier to change the accounting program on 1 July than it is to do so part way through a financial year. This will also minimise the need to run two accounting programs to complete year end PAYG Payment Summaries for example.

- If you have had a bumper year you may be looking at a higher tax bill than usual. Consider bringing forward expenses were possible to offset the increased profit. For example, you may decide to bring forward repairs to the current year rather than deferring, or could consider prepaying interest on a business or investment loan. Remember to consider the cash flow implications as part of this decision.

- If the opposite is true and business profits have reduced, you may consider varying your PAYG instalment to reflect your current year profit. This means you will be paying the appropriate amount of tax rather than a higher amount which would likely be based on higher profits in the preceding year. This means more money in your bank account under your control.

- The compulsory 9.5% of superannuation for your employees for the April to June quarter isn't due for payment until July 28, but if you pay prior to 30 June you will effectively receive the tax benefit of the deduction a full year earlier. Remember if you don't pay it by July 28, it isn't deductible at all…
- It's always frustrating when a customer doesn't pay, but this doesn't mean you should be penalised twice by also being taxed on an amount you never received. As you approach the end of the year, consider writing off bad debts so that you re-claim GST and any income tax paid when the revenue was originally declared. Keep in mind the ATO guidelines for claiming a bad debt as a deduction.
- If you are building up an investment portfolio, be sure to speak to a suitably qualified accountant to discuss structuring and the advantages and disadvantages of negatively gearing. Getting the structure right at the beginning can save you thousands of dollars, if not more, going forward.
- Have you reviewed you depreciation schedule recently? You might be surprised what is on there and often you will find obsolete assets which should be scrapped or written off.
- And finally, don't forget to engage with your accountant prior to 30 June. Accountants know the ins-and-outs of tax law and will be able to help you legally minimise the amount of tax you pay.