

It is hard to believe it is that time of year again.



If there are only two certainties in life, death and taxes, then grab an apple and let's try and save some tax.

Some smart planning pre 30 June could save you \$1K, \$5K, \$50K or perhaps a lot more.

Smart planning each year could make the difference between having a comfortable / early retirement, and not.



Tax planning provides a rare ROI (return on investment) where the savings are able to be quantified and measured.

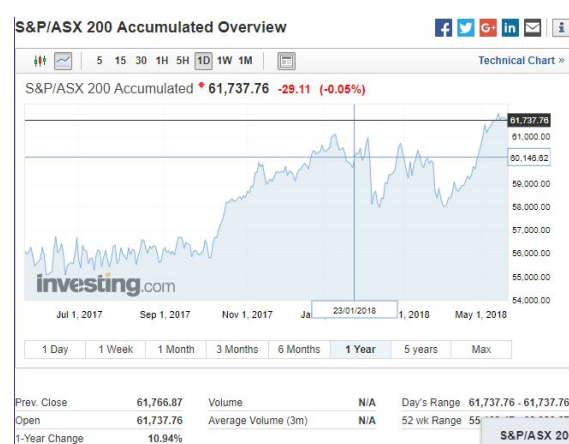
**This year we shall break the tax planning down into three distinct sections...**

- i) SMSF and retirees (coming in early June)
- ii) Individual tax planning (coming in early June)
- iii) Business and investment entities (non super - please refer below)

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We have seen a slight recovery in most mining and mining support sectors, extending into certain areas of manufacturing, continued strong demand in the building and construction sector (residential, commercial and retail).

Retail continues to be a battle, with continued disruption (Amazon etc) and seemingly no end to increased competition and depleted profit margins.



Cash rates continue at all time lows, with the ASX200 accumulation index returning close to 11% for the financial year so far.

Source: <https://au.investing.com/indices/s-p-asx-200-accumulated>

Continued threats about taking away the capital gains tax discount, refundable franking credits and potentially negative gearing have most of us a bit edgy.

I believe we should focus on what we can control...

## Business and investment structures - tax planning

### Step 1 - Review your year to date income for 2018

(1.07.16 to 31.03.17 is a good place to start)

- Review your year to date group results per Xero, MYOB etc versus last year?

Are profits up? Have you paid sufficient PAYGI income tax instalments for 2018?

Will you have a large catch up instalment?

Wouldn't it be better to determine that now, and take appropriate tax planning steps, or cash management to ensure that take any tax savings, together with put cash aside.

Or are profits down? Can you vary your PAYGI June instalment down?

Can you lodge early and obtain any tax credits due to you?

Do you have an R&D project this year?

- Project your net income for the final quarter

What proactive steps can you implement to manage this profit figure? Please refer below...

- Review your current allocation of wages, directors fees

Have you paid sufficient SGC (superannuation guarantee at 9.5%)?

Is it more efficient to pay a fully franked dividend than wages?

What is more efficient for payroll tax, income tax and work cover insurance?

- Review other family members income

Are there any avenues open for legal income splitting of business or investment profits via your family trust, or existing structures.

- Review for one off capital gains or investment income

Should you sell now, or after 30 June?

It is important to note that the exchange date (not the settlement date is the relevant taxing point for capital gains tax)

If you had a capital gain, what tax will you pay on this, and when? Can you do anything legally to defer or reduce this tax?

- Undertake an initial tax estimate (review your PAYGI paid against likely tax on profit)
- Review superannuation contribution thresholds together with what you have paid year to date (concessional and non-concessional)

## Step 2 - Review various tax planning strategies



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### 1. Defer receipt or invoicing of income

Are you on a cash or accruals basis for your business or investment income?

Can you defer any invoicing without risking non-payment, or severely depleting your working capital?

Can you defer declaring a dividend until 1 July, 2018 to take advantage of slight increase in brackets of personal income tax, and introduction of middle income earners tax offset (saving up to \$530)

When added to the brack creep from \$87K to \$90K to tax saving for someone on \$90,000 would be \$665.

i.e. \$530 MIWTO and  $\$3,000 \times 4.5\% = \$135$  (from 1.07.18)

### 2. Prepay / pay before 30 June various expenses

If you are a small business (aggregated turnover under \$10 million) you may claim a deduction for expenses paid up to 12 months in advance of their due date.

### 3. Ensure employee super SGC is paid prior to 30.06 at 9.50% for whole year

### 4. Write off bad debts before 30 June

### 5. Ensure accurate stock take undertaken at 30 June

### 6. Value stock lower of cost, market or replacement

### 7. Review commercial salaries to family members, directors

Tax savings here can be quite significant, especially when reviewed with dividends payable, rental income / losses, other income such as dividends and interest.

### 8. Consider '[travel allowances](#)' for business travel undertaken during the year

### 9. Consider salary packaging certain exempt fringe benefits (laptop, tablets, airport lounge membership) or otherwise deductible (home office, subscriptions etc)

### 10. Accelerated depreciation options for small businesses (aggregated turnover under \$10 million) including the \$20,000 instant asset write off

Note this is understood to apply to tangible plant & equipment. It would generally need to be installed for use by 30 June to enable the write off in 2018.

As in all these situations, we suggest that you only invest in P&E that will generate a real return in your business, that you already need. Don't burn your precious cash for a tax timing benefit.

### 11. Eligible family trust distributions to children under 18

**Note, the trust distribution minute needs to be prepared and documented pre 30 June, 2018.**

12. Review entitlement to [super co-contribution](#)

13. Review tax deductible [superannuation contributions limits](#) being \$25,000 non-concessional contributions for 1.07.17 to 30.06.18 to all superannuation funds

This is not advice and does not take into account your personal circumstances, you must seek specialist advice from a qualified specialist in relation to all superannuation transactions.

14. Full list of small business concessions [here](#)

15. Margin (shares) loans - consider prepayment of interest

16. Rental property loans - consider prepayment of interest up to 12 months

17. Capital gains - defer contract date until post 30.06? Is it legal / beneficial?  
i.e. exchange is the relevant date for capital gains generally.

18. Quantity surveyors report - obtain for all rental properties if you have not already.

Note, newly acquired rental properties that were not brand new construction, would likely not be entitled to existing depreciation benefits.

Please refer [here](#)

19. Review structure of home loan offset and other tax deductible debt strategies.

Structuring your borrowing here, with appropriate use of offset accounts, and using funds correctly for investment assets can generate income tax savings in the hundreds of thousands over your lifetime. They can also save hundreds of thousands in bank interest. Why spend your life donating money to the banks or the submarines in Adelaide (overpaid tax money)?

20. Capital loss assets - consider sale before 30 June

Beware of ATO targeting wash sale arrangements. (assets re-acquired or transferred to related party etc) [here](#)

20. Review if life insurance could be paid via employer contribution or via SMSF. This is not advice and does not take into account your personal circumstances.

21. Review profit and loss for any unearned income and quantify at 30 June

22. Purchase of certain capital equipment

23. Review opportunities for accrual of a directors bonus with appropriate documentation prior to 30 June

**24. Review directors / shareholders loans (Division 7A) and repay prior to 30 June, or lodgment of income tax return, or declare appropriate tax effective dividends**

**25. Review children turning 15 or 18 during the current year**

**26. Scrap obsolete equipment from your asset register at 30 June**

**27. Review tax effective investment opportunities**

**Strong warning here, as almost every tax scheme i have seen was a very poor fundamental investment.**

**28. Consider potential tax savings of deferrals into 2019**

Table 1: Progressive changes to the company tax rate

Income year	Turnover threshold	Tax rate for base rate entities under the threshold
2017–18	\$25m	27.5%
2018–19 to 2023–24	\$50m	27.5%
2024–25	\$50m	27.0%
2025–26	\$50m	26.0%

1 more row

[Changes to company tax rates | Australian Taxation Office](https://www.ato.gov.au/Rates/Changes-to-company-tax-rates/)

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**29. Review your timing of dividends, wages and other income re new thresholds for private health insurance rebates, family assistance benefits, excess superannuation tax (additional 15%), childcare and other means tested benefits**

Each year appropriate planning here can save thousands.

**30. Review your opportunities to pass income and assets tests for a part government pension link [here](#)**

**Step 3 - Contact our team if you would like assistance with any of the matters above. We believe we can ensure that you are more tax efficient, with a clearer cash flow.**

Resident income tax rates 2017/2018	
Taxable Income	Tax
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

The above rates do not include the Medicare levy of 2%.

Resident income tax rates 2018/2019	
Taxable Income	Tax
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000

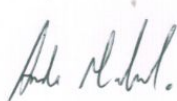
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\$90,001 – \$180,000	\$20,797 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

The above rates do not include the Medicare levy of 2%.

The temporary budget repair levy ceased applying from 1 July 2017.

Yours sincerely



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