

# MartinCo

CHARTERED ACCOUNTANTS

FINANCIAL SERVICES

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## Year End 2018 Business Tax Planning Strategies

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WHETHER YOU ARE HAVING A GOOD YEAR, REBOUNDED FROM RECENT LOSSES, OR STILL STRUGGLING TO GET OFF THE GROUND, YOU MAY BE ABLE TO SAVE A BUNDLE ON YOUR TAXES IF YOU MAKE THE RIGHT MOVES BEFORE THE END OF THE FINANCIAL YEAR. WITH THE END OF THE 2017/18 FINANCIAL YEAR IS ALMOST HERE, NOW'S THE TIME TO REVIEW WHAT STRATEGIES YOU CAN USE TO MINIMISE YOUR TAX AND MAXIMISE YOUR WEALTH.

## 1. CONCESSIONAL SUPERANNUATION CAP

The concessional superannuation cap for 2018 is \$25,000 for all individuals. This is the maximum cap for which you can claim an income tax deduction. Do not go over this limit or you will pay more tax!



Please note that all tax payers can now make additional contributions directly to their superannuation fund, avoiding the need to organise salary sacrifice arrangements with your employer. The additional amounts will be claimed as a tax deduction in your personal income tax return and a refund of the relevant tax paid on wages will be due back to you!

**In order to claim a tax deduction in the 2018 financial year, the contribution must be received by the super fund by 30 June 2018. It is important to make the contributions at least a few business days prior to 30 June to allow sufficient processing time for your super fund.**

## 2. TOOLS OF TRADE / FBT EXEMPT ITEMS

The purchase of Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to acquire equipment with a tax benefit. Items that can be packaged include Handheld/Portable Tools of Trade, Notebook Computers, Personal Electronic Organisers, Mobile Phones, Digital Cameras, Briefcases, Protective Clothing, and Computer Software.

If structured correctly, the employer will be entitled to a full tax deduction for the reimbursement payment to the employee (for the cost of the equipment), and the employee's salary package will only be reduced by the excluding GST cost of the items purchased.

**You should buy these items before 30 June 2018.**

## 3. EMPLOYEE SUPERANNUATION PAYMENTS

To claim a tax deduction in the 2018 financial year, you need to ensure that your employee superannuation payments have **CLEARED** your business bank account by 30 June 2018.

## 4. DEFER INCOME

Income is taxed in the year it is received – but why pay tax today if you can pay it tomorrow instead? Where possible, defer issuing further invoices and/or receiving cash until **AFTER 30 June 2018**.

## 5. BRING FORWARD EXPENSES

Purchase consumable items BEFORE 30 June 2018. These include stationery, printing, office and computer supplies.

current year or prepaying monthly costs such as rent, electricity, wages, utilities, insurance rates, etc.

This could also involve bringing forward deductible expenses such as repairs and maintenance into the

Other deductible expenses may include running and occupancy costs associated with operating a home office.

## 6. REPAIRS AND MAINTENANCE



Make payments for repairs and maintenance (business, rental property, employment) PRIOR to 30 June 2018.

To claim an outright tax deduction for repairs and maintenance on your investment property, the damages must have been caused by

your tenant. If you have just purchased the property and never had a tenant in the house, then clearly you won't have a leg to stand on. The good news, however, is that these expenses will be classed as capital, and you can depreciate them over their useful life.

## 7. MOTOR VEHICLE LOG BOOK

Ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12 week period, which is current within the last 5 years. The start date for the 12 week period must be on or before 30 June 2018.

**You should make a record of your odometer reading as at 30 June 2018.**



## 8. DEFER INVESTMENT INCOME & CAPITAL GAINS

If possible, arrange for the receipt of Investment Income (e.g. interest on Term Deposits) and Contract Date for the sale of Capital Gains assets to occur AFTER 30 June 2018.

**The Contract Date is the key date for working out when a sale has occurred, not the Settlement Date!**

## 9. INVESTMENT PROPERTY DEPRECIATION

Just like you claim wear and tear on a car purchased for income producing purposes, you can also claim the depreciation of your investment property against your taxable income.

If you own a rental property and haven't already done so, arrange for the preparation of a **Quantity Surveyors Report** to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

## 10. PRIVATE COMPANY LOANS



As the owner of a private company, it's normal – and completely legal – to borrow money from your business. However, thanks to Division 7A of the Tax Act, failing to properly record that loan could land you in some serious strife come tax time.

Business owners who have borrowed funds from their company must ensure that the appropriate principal and interest repayments are made by 30 June 2018.

## 11. YEAR END STOCK TAKE / WORK IN PROGRESS

If applicable, you need to prepare a detailed Stocktake and/or Work in Progress listing as at 30 June 2018.

If the value of the stock at the end of the financial year is more than it was at the beginning of that year,

you must include the difference as part of your assessable income when you lodge a tax return. If the value of stock at the end of the year is less than it was at the beginning of that year, your assessable income will be reduced by that difference.

## 12. WRITE-OFF BAD DEBTS AND CAPITAL ASSETS

Review Trade Debtors and Asset Register to write off all bad debts and scrapped assets BEFORE 30 June 2018. For bad debts, prepare

a minute of a Directors' meeting listing each bad debt as evidence that these amounts were actually written off prior to year end.

## 13. SMALL BUSINESS CONCESSIONS - PREPAYMENTS

For Small Businesses with turnover of less than \$10 million, you can make prepayments (up to 12 months) on expenses BEFORE 30 June 2018 (e.g. Rent, Interest on Loans) and obtain a full tax deduction in the 2018 financial year.



## 14. SMALL BUSINESS CONCESSIONS - \$20,000 WRITE OFF

**For Small Businesses with a turnover of less than \$10 million, an immediate deduction is available for any asset purchase costing less than \$20,000 GST exclusive.**

All depreciating assets are included under this immediate write off threshold including:

- Computer hardware – computers, printers, phones, laptops, etc
- Tools and equipment
- Vehicles
- Shopfront fit-out assets – air conditioners, signs, furniture and fittings

Although, note that not all assets are included under this change.

Please note this is scheduled to end on 30 June 2019.

See the ATO website for more information.

## 15. DOWNSIZERS CONTRIBUTION

From 1 July 2018, if you are 65 years old or older and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation fund of up to \$300,000 per member from the proceeds of selling your home.

This measure applies to the sale of your main residence where the exchange of contracts for the sale occurs on or after 1 July 2018.

This is a great opportunity to move more of your assets into a tax effective environment to provide for your retirement.



Talk to us TODAY  
before the 30 June 2018  
deadline for assistance  
to reduce your tax!

# MartinCo

CHARTERED ACCOUNTANTS

FINANCIAL SERVICES

Level 1, 4 Cross Street, Hurstville NSW 2220  
Suite 1.01, 203-233 New South Head Road, Edgecliff NSW 2027  
P: (02) 9570 6699 F: (02) 9570 6690  
E: [info@martinco.com.au](mailto:info@martinco.com.au)  
[www.martinco.com.au](http://www.martinco.com.au)