Year-end tax tips for small business

Simplified Taxation System

If you are utilizing the STS your income tax returns are usually based on the 'Cash Basis' of reporting. This means income received and expenses paid during the year are taken into account in calculating your profits and taxable income for the year. If you qualify for the Small Business concessions the following may apply to you:

Expenses
You can claim for business related expenses paid prior to 30th June. Therefore you should attempt to receive your bills and have them paid prior to the end of the financial year to ensure that they are deductible in the current financial year. Otherwise they will be deferred to next years reports.

Income
By not receiving income from your customers prior to 30th June this income is delayed a further year to appear in next years income tax return.

Consumables
You may stock up on consumables such as office supplies, stationery, small equipment etc that will be used in your business over the ensuing twelve months for the immediate tax deduction.

Capital Equipment

- Assets costing less than $20,000 each can be written off in full in the year that they are paid for and installed ready for use.
- Assets over that value with an effective life of less than 25 years are written off at:
    - 15% in the year of purchase; and
    - 30% thereafter

Review of Assets
It's too easy to carry assets on your books, which have no real value, are obsolete or have been scrapped. The only way to get a write-off deduction for them is to review your asset depreciation register and take the necessary action before 30 June. The asset depreciation register is the list of plant, equipment, furniture, fittings and any other assets, including all items bought, sold and disposed of during the year.

- Tip – review your depreciation schedule on last years taxation return to highlight to us any obsolete, scrapped, stolen etc items

Travel & Vehicle costs
Substantiation rules may apply to motor vehicles and travel expenses. So log books and odometer readings should be kept, as well as other records itemising travel expenses.

The tax law provides that a log book that is more than 5 tax years old cannot be used to justify any motor vehicle expense claims. So if your log book is more than 5 years old you will need to provide a new one. If the distance travelled is more than 5,000 kilometres or the private use is less than about 35%, the log book method usually allows the highest claim.

- Tip - If you believe that if the business related usage of your work vehicle has increased over that in your existing log book it may be prudent to begin another log book to prove the increase.

You should take a reading of your odometer as at 30th June and keep this with your tax records.
Certain vehicles such as work utilities, panel vans, commercial vehicles etc normally do not require log book substantiation but sedans, station wagons etc are not exempt and to maximise these claims may require a current log book.

Superannuation (staff)

If you employ staff and are required to make superannuation contributions on their behalf it is recommended that you calculate the amount due prior to financial years end to ensure that you have sent the required amount to the superannuation fund with sufficient time for them to have processed your cheque prior to 30th June. Effectively by paying and having it cleared earlier than usual gives you a tax deduction 12 months ahead of time.

Superannuation (Personal Superannuation)
Please refer your questions to our staff.

Superannuation Co-contribution
Please refer your questions to our staff.

Simplified trading stock
The small business taxpayer does not have to account for differences in the value of their opening and closing stock for an income year, where it is reasonably estimated that the difference between their opening and closing stock for the year is no more than $5,000.

Tip- You may look to increase your stock on hand within this threshold limit to obtain a deduction for the additional expenditure, providing payment is made prior to June 30.

12 month prepayment rule
This rule allows the STS taxpayer to take advantage of an immediate deduction for prepaid expenditure if certain conditions are met. This could include business insurance payments, consultants fees etc if prepaid.

Note. – you need to be careful with the above measures as they do have an effect on your cash flow – by increasing payments and reducing income you may find unwanted difficulties in your cash flow for the ensuing months until your regular pattern of payments/receipts stabilises.

Record Keeping
Records are normally required to be retained for tax purposes for at least five years, but special requirements apply in some areas such as capital gains tax (CGT), fringe benefits tax (FBT) and the substantiation rules. For example, records relating to the acquisition of any items of plant & equipment, vehicles, property etc that are listed for depreciation purposes are required to be maintained for five years after 'disposal' of the asset.

You should ensure that your records are both adequate and complete to stand up to an audit review. Check that you have all the relevant documentation for your business, such as bank statements, deposit books, cheque butts, cashbooks or accounting records.

Summary
This information sheet is generic in nature and may not take into account your personal situation. If you have any enquiries relating to the matters raised above please do not hesitate to contact our staff to fully discuss their implications as we accept no liability for actions taken without our prior approval.