

Essential 2017 year-end tax tips

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It's that time of year when businesses can benefit by considering strategies to minimise their tax burden.

This is the first of a three part series on tax we are doing to help prepare you for tax time. Here, we look at some actions small businesses can consider in order to reduce their tax for 2017.

When evaluating these strategies you should always keep in mind that spending money for the pure purpose of gaining a tax deduction can be counter-productive if the expenditure is not necessary for the business or expected to create a net improvement in profitability. With all transactions, the business decision should be made first with taxation considerations a secondary influencing factor.

The specific circumstances of each business can also impact on tax planning. For example, if a business is not currently making taxable profits it is of no use bringing forward tax deductions into the current year.

A welcome change for 2017 is the increase in the small business turnover threshold from \$2m to \$10m. This significantly extends access to a range of concessions, however unfortunately the Small Business CGT Concessions remain limited to \$2m.



Ready to get more bang for your buck at tax time?

\$20,000 Instant Asset Write-off.

This has been a big attraction for a few years now but as it currently stands this is the last year it will be available. An immediate deduction is available for business acquisitions less than \$20,000 and depreciation pools that fall below \$20,000 can also be written off. The threshold is a GST-exclusive amount if registered for GST (therefore \$21,999 maximum total spend on any one

asset). The asset needs to be installed ready for use prior to 30 June. Excluded assets are those leased out to another party, capital works and certain in-house software.

Avoid a Credit Reference from the ATO.

This is not really a tax tip as such, but could avoid enormous headaches. From 1 July 2017 the ATO will commence reporting outstanding tax debts of businesses to credit reporting agencies. This will only occur where the debt is in excess of \$10,000, unpaid for over 90 days, not in dispute and no payment plan has been established (or an existing one has been defaulted).

We are informed that the ATO will notify businesses prior to referring a debt to credit bureaus however it's strongly advised to contact the ATO promptly if any tax debt arises and arrange a payment plan. If a plan is defaulted, contact them again. It would also be prudent to review the ATO business portal, to ensure no overdue tax debts exist.

Consider restructuring.

Restructuring can achieve various goals including asset protection, estate planning, income splitting and commercial objectives. It is often critical to complete these transactions while a business remains eligible for benefits such as the Small Business CGT Concessions and Restructure Rollover. It is also usually ideal to complete the transaction at the end of the financial year to simplify the accounting processes required.

To ensure sufficient time to analyse cost/benefits of restructuring and plan for implementation now is the time to be speaking with your accountant if anything is to occur this year.

General advice disclaimer

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