

## Part 2: tax tips for your small business

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It's that time of year when small businesses can benefit by considering strategies to minimise tax burden. In this second article of our three-part series for year-end tax tips we look at accelerating deductions and how small businesses can reduce their tax for 2017.

With the individual tax rate set to reduce by 2% for those in the top bracket, a tax deduction is worth a little bit more in 2017 than 2018. The mere deferral of a tax liability for one year can provide some welcome cash flow relief when it comes time to paying your tax. Indeed you never know what the future will bring, so a tax deduction taken in a year when you know tax will arise is like a mid-year gift.

**Incur necessary expenses including prepayments.**

A business deduction does not necessarily need to be paid in order to be claimed. You often just need to have been issued an invoice. So for all those expenses (excluding inventory) you know you will need to outlay for, it may be better to order it this financial year. Suppliers who offer generous terms of settlement are ideal but even paying the cash before year-end can also be a good idea. Repairs and maintenance is a good example. Simply ensuring all invoices received have been accounted for is also something that can sometimes be neglected.

Small Businesses have the advantage of not having to spread out a deduction into a future year for prepayments where the service period is less than 12 months. Prepayments do not necessarily need to be "paid" however it is often necessary to trigger the deduction in the first place. Prepaying rent and interest are obvious big ticket items that can provide an early deduction.

**Depreciable Assets.**

We raised the \$20,000 Instant Asset Write-off in the last edition, which means depreciable assets are usually limited for small business for old and expensive assets. Even these assets can be added to a "pool" providing a 30% depreciation rate (15% in the first year). But for those who have not pooled, it can pay to have a look at your depreciable assets prior to year-end to determine if any assets are no longer being used. These can be written off and their remaining depreciable balance claimed as an immediate tax deduction if they have been "scrapped".