

# 2016 Business Tax Planning Strategies



The end of the 2015/16 financial year is almost here, so now's the time to review what strategies you can use to minimise your tax.

## #1 | Concessional Superannuation Cap

The concessional superannuation cap for 2016 is \$30,000 per year for persons under 49 as at 30/6/16, and \$35,000 for persons age 49 to 74. Do not go over this limit or you will pay more tax!

Note that employer super guarantee contributions are included in these caps. Where a concessional contribution is made that exceeds these limits, the excess is included in your assessable income and taxed at your marginal rate, plus an excess concessional contributions charge.

***In order to claim a tax deduction in the 2016 financial year, the super fund must receive the contribution by 30 June 2016.***

## #2 | Asset Depreciation

If your business is a Small Business Entity (turnover less than \$2 million), the following tax concessions apply:

- Depreciating assets valued at less than \$20,000 will be immediately deductible
- Depreciating assets valued at more than \$20,000 will be depreciated in one pool at a rate of 15% in the first year and 30% in future years
- If your pool balance at the end of the year is less than \$20,000 before applying any other depreciation deduction write-off the entire pool

## #3 | 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 buy equipment with a tax benefit. Items that can be packaged include Handheld/Portable Tools of Trade, Computer Software, Notebook Computers, Personal Electronic Organisers, Digital Cameras, Briefcases, Protective Clothing, and Mobile Phones.

If structured correctly, the Employer will be entitled to a tax deduction for the reimbursement payment to the employee (for the equipment cost), claim any GST input credit, and the employee's salary package will only be reduced by the GST-exclusive cost of the items purchased.

***You should buy these items before 30 June 2016.***

## #4 | Employee Superannuation Payments

To claim a tax deduction in the 2016 financial year, you need to ensure that your employee superannuation payments have **CLEARED** your business bank account by 30 June 2016.

For any last minute superannuation payments, we recommend that you arrange for a BANK CHEQUE made payable to your employee super fund prior to 30 June 2016.

## #5 | Defer Income

Where practical, defer issuing further invoices and/or receiving cash/debtor payments until after 30 June 2016. Defer this tax payable until the 2017 year which could result in a lower tax rate for SBE companies, and a higher tax concession for other SBE entities, if legislation from the 3 May 2016 budget is passed.

## #6 | Bring Forward Expenses

Purchase consumable items BEFORE 30 June 2016. These include stationery, printing, office and computer supplies. Bring forward a larger tax saving into the current year if the above tax adjustments are made.

## #7 | Repairs & Maintenance

Make payments for repairs and maintenance (business, rental property, employment) BEFORE 30 June 2016. Similar increased tax savings to the above if the budget becomes law.

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## #8 | Defer Investment Income & Capital Gains

If practical, arrange for the receipt of Investment Income (e.g. interest on Term Deposits) and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2016.

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

## #9 | Motor Vehicle Log Book

Ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2016. You should make a record of your odometer reading as at 30 June 2016, and keep all receipts/invoices for motor vehicle expenses. Should the nature of the travel, vehicle or business use % have not changed you can use the log book for a 5-year period.

An alternative (with no log book needed) is to simply claim up to 5,000 business kilometres using the centre per km method.

## #10 | Investment Property Depreciation

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

## #11 | Private Company ("Division 7A") Loans

Business owners who have borrowed funds from their company in previous years must ensure that the appropriate principal and interest repayments are made by

30 June 2016. Current year loans must be either paid back in full or have a loan agreement entered into before the due date of lodgement for the company return or risk having it counted as an unfranked dividend in the return of the individual.

## #12 | Year End Stock Take / Work in Progress

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2016. Review your listing and write-off any obsolete or worthless stock items.

## #13 | Write-off Bad Debts

Review your Trade Debtors listing and write off all Bad Debts BEFORE 30 June 2016. Prepare a minute of a Directors' meeting, listing each Bad Debt, as evidence that these amounts were actually written off prior to year-end.

## #14 | Small Business Concessions - Prepayments

"Small Business Concession" taxpayers can make prepayments (up to 12 months) on expenses (e.g. Loan Interest, Rent, subscriptions) BEFORE 30 June 2016 and obtain a full tax deduction in the 2016 financial year. With proposed changes to the tax rate of SBE companies and tax rebates for other SBE entities, prepaying expenses could save more tax now than it would do next year.

## #15 | Trustee Resolutions

Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2016 for all Discretionary ("Family") Trusts. Please see us for more information about these resolutions.

**Talk to us TODAY before the 30 June 2016 deadline  
for assistance to reduce your tax!**

**CMA Accounting & Taxation Services**

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