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ACCOUNTING ADVISORS

Helping build a nation of small businesses

IN THIS ISSUE

JUNE 30, 2021 IS LOOMING!

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Talk to us now to save on Tax $$$$

With 30 June 2021 fast approaching, it is a great time to consider some tax planning strategies to manage your tax liabilities. There are some excellent tax concessions currently in place to benefit both individuals and businesses.

It could be that your current business structure isn't the best for legally minimising your end of year tax and it's time to talk to us about your options. You may be in a company structure and a working director paying wages. If you talk to us before 30 June we may still be able to save you tax dollars.

Outlined below are some of the tax and super planning strategies to keep in mind when closing off 30 June 2021:

Stocktake

Prepare a stocktake or calculate your work in progress as at 30 June 2021 or close to this date. Stocktake includes counting and detailing all products on hand at year end along with its value. Any obsolete stock will need to be written off at year end.

Bad Debts & Write Offs

Review the recoverability of your invoices appearing on your aged receivables report for June 2021. Any debtors that you have made all attempts of recovering with no success and you believe are unlikely to pay can be written off by 30 June 2021. These bad debts written off can be claimed as a tax deduction in the 2021 financial year. This assumes you are reporting on an accruals basis. If your tax return is on a cash basis, this income is never declared until your customers pay.

Instant Asset Write Off

The Government increased the instant asset write-off (IAWO) threshold from $30,000 to $150,000 and expanded access to include all businesses with aggregated annual turnover of less than $500 million (up from $50 million) until 31 December 2020. In January they extended this to cover assets purchased after 31 December 2020 under a ruling called temporary full expensing.

The asset may be new or second hand and you can claim multiple assets.

For motor vehicles the IAWO threshold is subject to the car limit of $59,136 for the 2021 financial year. This applies to passenger vehicles (except motor cycles or similar vehicles) which carry less than 9 passengers or carry a load less than 1 tonne. Businesses can claim IAWO for other vehicles which includes trucks and machinery.

Depreciation Schedule

Review your depreciation schedule you have received in your 2020 financial year financial statements or income tax return. Advise us of any assets that have been either disposed or destroyed in the 2021 financial year. These assets will be written off and any remaining balance will be deductible.

Prepayments

As a small business entity (a sole trader, partnership, company or trust who is operating a business and has a group turnover of less than $50million), you may have the ability to prepay expenses and claim an immediate deduction in the financial year in which they are paid. The full deduction for the prepaid expense will be allowed in the current year so long as the prepayment relates to a period of no longer than 12 months ending in the next income year. Some examples of expenses that you make look at prepaying include interest, rent, subscriptions, advertising, accounting fees, etc.

Vehicle Log Books

Please ensure you have a valid logbook for the 2020 financial year if you wish to use the logbook method to claim motor vehicle deduction. The logbook method requires you to keep a logbook of your car’s usage for a 12-week continuous period in order to determine the business-use percentage of your car. You can use this percentage for up to 5 years to claim a portion of your car’s operating costs such as registration, insurance and fuel; all of which require you to keep receipts.

Employee Superannuation

Businesses that employ staff need to pay their employee super for the April-June 2021 quarter by 28 July 2021. Businesses can choose to pay the June quarter super prior to 30 June 2021 to bring forward their tax deduction. Please be aware that the payment must be received by the superannuation fund prior to 30 June 2021 in order to claim a deduction.

Personal Super Contributions

An individual or business owner can contribute up to $25,000 as a concessional contribution (before tax) into their superannuation fund and claim a tax deduction for this in their return (subject to eligibility requirements). With EOFY planning in full swing, you may want to consider making a personal superannuation contribution to reduce your taxable income. If you are making a personal superannuation contribution this year it is important that the payment is received by the superannuation fund prior to 30 June 2021 in order to claim a deduction.

Separate to the concessional contribution cap, non-concessional (after-tax) contributions are limited to $100,000 for the 2020-21 financial year.

Work Related Expenses

Start considering the work-related deductions that may be available to you personally. Due to COVID-19 many of us have been forced to work from home creating additional expenses which may be deductible. From 1 March 2020 the ATO increased the standard home office deduction rate from 52c per hour to 80c per hour. This means for every hour you worked from home you can claim an 80c deduction, which covers home office use of telephone, internet, depreciation and utilities expenses.

Our Tax Planning Service –don't delay call us today on 1300 731 826 for a preliminary chat about our tax planning service.

Sessions book out early as our current clients have been enjoying certainty at tax time and significant tax savings.

Stay safe and look after yourself, talk soon.

Kevin Dinh