

Minimise your tax bill this year

Tax planning is a healthy exercise for every taxpayer to carry out prior to 30 June and may result in tax savings or tax deferral.

Directors of SME Business Solutions, Stuart Boyers CA and Jared Balkin, said that a lot of people don't think of their tax situation until the end of the financial year or the start of the new financial year.

"And by then it's too late to change your tax position," said Stuart Boyers.

"Tax planning is not tax avoidance – it's all about understanding the tax laws and applying them to a situation to legitimately minimise your tax position."

"For example, if you are an eligible small business taxpayer, you could reap a range of cash flow benefits by electing to join the Simplified Tax System," said Mr Boyers.

Here are just a few suggestions to minimise your tax.

Simplified Tax System

Under the Simplified Tax System, the business is taxed based on cash received rather than on an accrual basis. That is, you only pay tax when you receive payment from a customer and you deduct expenses only when you make payment.

Low cost capital items, less than \$1000, are immediately deductible in full and do not have to be depreciated. There is accelerated depreciation on most other depreciable assets.

If your opening and closing inventory values vary by less than \$5,000, then they can both be the same and no stock take is required to accurately determine a closing inventory value.

Prepayments of expenses for up to 12 months are fully deductible.

Company debit loan accounts

If your company provides a loan to an individual shareholder, it may be deemed an unfranked dividend in the hands of the share-

holder, who will then be taxed on the value of the loan at his/her marginal tax rate and not have any imputation credits to claim back. This is of course very unfavourable.

Companies should therefore consider repaying the loan before year end; paying a salary to clear the loan; declaring a franked dividend to clear the loan; or preparing a written loan agreement that complies with Division 7A of the Income Tax Assessment Act to formalise the loan.

Income and debtors

You should consider deferring invoicing of work in process until July so that the income is taxed in the following financial year. Review your debtors prior to year-end and write off any debts that will not be collected.

Superannuation

Your business must ensure that employer superannuation contributions are paid by 30 June to benefit from a tax deduction in the 2003 financial year.

Also make sure that all 2003 contributions are made by 28 July 2003 to avoid penalties and interest.

Did you know that medical expenses can be claimed?

Very few people are aware that a 20 per cent tax offset is allowed for medical expenses over \$1,500 after deducting refunds received from Medicare and private health funds.

As a resident taxpayer you can claim expenses for yourself or resident dependents relating to an illness or operation paid to legally qualified doctors, nurses, chemists, and public or private hospitals. Overseas medical expenses can also be included in the claim.

In addition to the common medical expenses, other qualifying

medical expenses include prescribed medication, dentists and orthodontists, optician or optometrists, cosmetic surgery, in vitro fertilization program treatment, medical aids provided by a doctor, therapeutic treatment at the direction of a doctor, and certain nursing home and hostel expenses.

Family tax benefit

Family tax benefits are designed to assist with the cost of raising children and families with one main earner. It is worth the effort to assess whether you qualify for these benefits. High income earners may also benefit.

Benefits can be paid through Centrelink, by the Australian Taxation Office or by a reduction in tax under the PAYG withholding system.

The benefits are based on various criteria such as the number and ages of children, family

income, and the secondary earners income. Standard payment tables are then used to calculate the benefit payable.

A family with an adjustable taxable income of \$84,000 and two dependant children aged 9 and 12 is entitled to a benefit of \$1,780.80

Non-business prepayments

You should consider prepaying non-business expenditure as it will be immediately deductible in full provided that it relates to earning assessable income, for example, interest on an investment loan. The prepayment is incurred for a period not exceeding 12 months.

SME Business Solutions can advise on a range of business and individual tax planning tips. If you would like more information, contact Stuart Boyers or Jared Balkin on (02) 9411 2644 or visit their website at www.smebus.com.au.



Jared Balkin (l) and Stuart Boyers (r) of Strategic Matching Enterprise

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