

Key Tax Planning Strategies 2008/09

1. Contribute to superannuation. You benefit firstly by receiving a tax deduction at a rate of up to 45% and your superannuation fund paying only 15% tax on the contribution. You benefit secondly because income earned by your superannuation investment is only taxed at 15%, while any capital gains made are only taxed at 10%. Other benefits include superannuation being the most tax effective way to fund your retirement, and superannuation cannot normally be accessed by your creditors.

NOTE - money put into superannuation can be invested in a range of ways, including in cash/term deposits rather than linked to the share market. There is a 50% reduction in the maximum tax deduction you can claim after this year!!!

2. Purchase and install new equipment prior to 30 June to claim the additional investment allowance tax deduction in 2008/09. For small businesses (generally meaning sales of less than \$2 million) the extra deduction is 50% on items over \$1,000, and for other businesses it is 30% on items over \$10,000. There are additional rules which apply to 2009/10 so please contact your Kennas accountant for further information.
3. Transfer income to a spouse or other family member on a lower tax rate. Some ways to achieve this include investing in the lower tax rate persons name, or using a family discretionary trust and distributing to children or grandchildren.
4. For small businesses with a turnover less than \$2m, tax planning can include prepaying expenses, 100% deduction for assets costing less than \$1000, and accelerated depreciation rates (15% first year and 30% of the written down value each subsequent year)
5. Realise capital losses before year end to offset capital gains made during the year. Capital losses can only be offset against capital gains, not other income. The taxable amount of capital gains and also capital losses are reduced by 50% if you have owned the asset over 12 months. You now cannot sell shares and immediately buy these back to realise a capital loss.
6. Defer earning income until the following financial year.
7. Pay commercial salaries to family members (including children) who are on lower tax rates for work they perform.
8. Ensure your superannuation contributions are receipted by the superannuation fund before 30 June for both employees and your own contributions to get a tax deduction in the current year.
9. For employees, consider salary sacrificing part of your wages into superannuation.
10. Bring forward deductible expenses (like repairs) planned for the first few months of the new financial year into the current financial year.
11. Make donations before 30 June to get your tax deduction a year earlier.

12. Make sure all bad debts are written off in your accounting records before 30 June.
13. You should ensure values of stock at 30 June are correct. Obsolete or old stock should be marked down to saleable values by 30 June. Each and every line of stock can be valued at the lower of cost, its market selling value or its replacement cost.
14. Negative gear into rental property or shares paying dividends. The negative gearing loss can be offset against your other income providing a tax benefit. Make sure your investment is capable of generating capital gains otherwise your overall return on the negatively geared asset will be minimal, even after the tax benefits you have received.
15. Get professional advice from Kennas before buying or selling your business or business premises. There are numerous capital gains tax exemptions on the sale of your business which need to be carefully applied to your situation. Where assets are purchased, the type of structure is important (company, trust, superannuation fund partnership, individual) and consideration of depreciation claims etc is relevant i.e. lease or buy decisions – one can have greater benefits over another depending on your situation.

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