

Key Tax Planning Strategies 2006/07

1. Make superannuation contributions for owner employees. You benefit firstly by receiving a tax deduction at the rate of 30% 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.
2. Ensure your superannuation contributions are received by the superannuation fund before 30 June for both employees and your own contributions to get a tax deduction in the current year.
3. Pay employee superannuation before 28 July 2007 to avoid the Superannuation Guarantee Charge. Note that it has to be received by the super fund prior to 30 June to obtain a tax deduction for 2006/07.
4. Consider salary sacrificing part of your wages into superannuation.
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.
6. Scrap old equipment that you no longer use and you can obtain an immediate tax deduction for its tax written down value.
7. Defer earning income until the following financial year.
8. Bring forward deductible expenses (like repairs) planned for the first few months of the new financial year into the current financial year.
9. As your business is in the Simplified Tax System, purchase equipment costing under \$1,000 to get an outright tax deduction. Plant costing over \$1,000 may have to be depreciated from the date of purchase, giving only a small tax deduction in the current year.
10. As your business is in the Simplified Tax System, prepay expenses such as leasing, rent, and interest up to 12 months in advance to increase your deductions.
11. Make donations before 30 June to get your tax deduction a year earlier. You may even wish to donate property you own to a charitable organisation. In most cases this isn't deductible. However, if you sell the property, you can donate the cash to registered charities and claim a tax deduction.

Key Tax Planning Strategies 2006/07 (continued)

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. Pay wages to associates of the business owners (like children) who are on lower tax rates. Wages must be based on a commercial hourly rate for the work they actually perform in the business. While childrens' wages for those under 18 may not be very high, they will not pay any tax until their wages income exceeds \$6000 or other income exceeds \$772
16. Certain investments offer substantial up front deductions eg timber plantations and films. While a tax deduction may be important, the financial prospects for a return on the investment must be fully considered. It is necessary to sight a tax ruling on the specific investment before proceeding.
17. 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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