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Year-end Tax Planning for Business for 2016

Below are a few pointers that may assist with your end of year tax planning.

Revalue Trading Stock

A business is entitled to a tax deduction if their opening stock exceeds their closing stock value. The difference is deductible. Stock is valued by using any of the following:

1. Cost Price
2. Market Value
3. Replacement Value

Any obsolete or damaged stock will reduce your closing stock figure.

Accruals:

Unpaid tax invoices for expenses such as telephone, electricity, advertising, accounting fees etc. can be accrued and deducted in the 2016 year.

Bad Debts:

Review your debtors (accounts receivable) and if any are unlikely to be recovered, physically write them off as bad before the end of the year. This applies to those on an accruals basis.

Depreciation:

Businesses with an annual turnover of less than \$2m can immediately deduct assets costing **\$20,000** or less (excluding GST), providing they were purchased between 7.30 pm (AEST) on 12 May 2015 and 30 June 2017. Review your assets and write off any obsolete or unused items. Consider selling or scraping an asset so that the loss can be claimed in the 2016 year.

New 5% Tax Discount

5% Tax Discount is introduced to sole traders, partnerships and trusts with an aggregated turnover of less than 2 million. This discount will be provided in the form of a non-refundable tax offset called "Small Business Income Tax Offset" which is capped at \$1,000 per year.

1.5% Tax cut for companies

The government reduced the company tax rate to 28.5% for all companies with an aggregated turnover of less than 2 million. The franking credit rate for a fully franked dividend remains unchanged at 30%.

Primary Producers

An immediate deduction can now be claimed for capital expenditures incurred from 12 May 2015 on water facilities, fences and fodder storage assets such as silos and tanks to store animal feed and grain.

SuperStream is here:

The ATO has changed the way employers report and pay their employees' super contributions. Employers must register for SuperStream (this can be done via the ATO website) to make compulsory super contributions on behalf of employees by submitting payments and data electronically. Applies from 1 July 2016.

Superannuation

Ensure superannuation contributions have been paid to the super fund by 30 June 2016 to ensure a tax deduction for this year. Maximum concessional (employer) superannuation contributions for individuals are \$30,000 (under 50 at 30 June 2016) or \$35,000 for those aged 50 or more at 30 June 2016. From 1 July 2017 the government will lower the cap to \$25,000 for everybody regardless of their age.

Client Gifts:

If it is common practice within a business to offer gifts to clients, suppliers, etc. (e.g. bottles of wine), consider purchasing gifts by 30 June 2016.

Prepayments:

Consider prepaying expenses such as Rent, Lease Payments, Interest, Subscriptions, Consumables, and Repairs etc. This is allowed providing the prepayment does not exceed 12 months in advance.

Exempt FBT:

An employer is entitled to give an employee, up to the value of \$300 by way of gift and it will be exempt from Fringe Benefit Tax as well as a tax deduction. So show your employees your appreciation before 30 June.

Repairs to Business Assets:

A business taxpayer is generally entitled to claim a deduction for any repair expenditure incurred in respect of business assets (e.g. Business premises and assets)

Deferral of Income:

If cash flow allows, defer the receipt of income until the next financial year. If on a

- Cash basis - defer receipt of cash.
- Accruals basis - write up the invoices in the next financial year.

Payslips:

Remember that it is a requirement for employers to provide a payslip to employees detailing the superannuation accrued for the period. A best practise payslip template is available as a guide for employers from the website of the Fair Work Ombudsman (www.fairwork.gov.au).

Other:

We are building our services to assist you with the following:

- Financial Advice
- Insurance, Life, Income Protection and General
- Loans – Residential, commercial and personal
- Legal Advice
- Agent for new vehicle purchases and finance

Although we will not be providing these services directly we have established relationships to work jointly with other professionals to service your needs.

Website: (www.piatti.com.au)

Recently we launched our new and informative website. It is our intent to regularly post on our website, tax, accounting and regulatory information of general interest to our clients. We would like to hear of subjects you are interested in as well as any comments. For example, you will be able to keep up to date with the latest budget and interest rate changes as they occur by logging onto our website – which is also linked to our Facebook page.

Give us a call:

Recently, a number of clients have either made or simply gone along with choices that have resulted in significant taxes that could have been avoided or at least minimised had they consulted a tax professional. If there are any major financial issues such as buying or selling assets, deceased estates, etc. then a quick call to us might end up saving you lots of \$\$\$.

We hope the above helps with your end of year business plans. Should you have any questions, feel free to contact this office.

Happy New Financial Year!

Regards from the team,

Nina, John, Sisa, Tania, Bojana, Courtney and Skye