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Year-end Tax Planning for Business for 2017

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 2017 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 2017 year.

Immediate write-off for low pool value

A small business entity is entitled to claim an immediate deduction where the closing balance of the general small business pool is less than \$20,000 for the 2017 year referred to as the "Low Value Pool".

Small Business Income Tax Offset

8% Tax Discount is introduced to sole traders, partnerships and trusts with an aggregated turnover of less than 5 million. This discount will be provided in the form of a non-refundable tax offset which is capped at \$1,000 per year.

Company Tax Rates

A company with a turnover of less than \$10 million will be paying a reduced tax rate of 27.5%. Dividends declared for the 2017 year will be franked at 27.5% down from 30% in the 2017 year.

Superannuation

Ensure superannuation contributions have been paid to the super fund by 30 June 2017 to ensure a tax deduction for this year. Maximum concessional (employer) superannuation contributions for individuals are \$30,000 (under 50 at 30 June 2017) or \$35,000 for those aged 50 or more at 30 June 2017. 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 2017.

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).

Single Touch Payroll

Currently employers pay and report their PAYG withholding and superannuation via the quarterly or monthly BAS. The government has introduced "Single Touch Payroll" which means that wages and superannuation can be reported to the ATO at the time the payment is made. The ATO anticipates that the new rules will assist business and cut compliance costs. The commencement date will be 1 July 2018 and will be mandatory for "substantial" employers i.e 20 or more employees.

An employer with 20 or less employees may choose to report voluntary under "Single Touch Payroll" from 1 July 2017 providing their software is Standard Business Reporting (SBR) – enabled software.

ATO targets Uber and Airbnb operators in 2017

Due to the massive growth in Australia's sharing economy the ATO is devoting resources to ensure taxpayers who derive income from providing shared services comply with their income tax and GST obligations. The ATO will be data matching information provided by third parties (e.g., banks) to detect undeclared income derived from various sharing economy services including Uber and Airbnb.

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

Also, please check out our new website (www.piatti.com.au) and our Facebook page.

And remember, we are here to help with tax advice all year round.

If you are unsure of the tax implications for major financial decisions such as buying or selling assets, deceased estates, etc. then a quick call to us might end saving you lots of \$\$\$.



Each year at tax time we find that unfortunately some of our clients have either made or simply gone along with choices that have resulted in significant taxes... implications that could have been avoided or at least minimised had they consulted a tax professional.

We value each and every one of our clients and love being able to make a difference and help guide you to making confident decisions that will most benefit your tax position.

Happy New Financial Year!

Regards from the team,

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