Piatti
& Associates Pty Ltd

Accountants & Registered Tax Agents
ACN 003 511 126 ABN 24 003 511 126

Suite 11, 59-69 Halstead Street
South Hurstville NSW 2221
Phone: 02 9586 0300
Fax: 02 9586 0299

Website: www.piatti.com.au
Email: accountant@piatti.com.au

Year-end Tax Planning for Business for 2021

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

Re-value 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. If the value of opening stock and closing stock is more than $5,000 a physical stocktake is required.

Accruals
Unpaid tax invoices for expenses such as telephone, electricity, advertising, accounting fees etc. can be accrued and deducted in the 2021 year.

Bad Debts
Write off any bad debts that are unlikely to be recovered before the end of the year. The debtor must be removed from your accounts receivable list to be eligible for a deduction, and this deduction only applies to taxpayers on an accrual basis (not cash basis).

Expenses
Spend up on the necessary things such as stationary, repairs to equipment and vehicles, advertising, rent in advance and claim a tax deduction this year.

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 2021.

Immediate Asset Write-Off
Businesses with an annual turnover of less than $10m can immediately deduct assets costing $150,000 or less excl. GST, purchased from 1 July 2020 and by 30 June 2021.

Small Business Pool Deduction
Small Business Entities are required to fully expense the balance of their depreciation pool for the 2021 financial year. This means that businesses will be entitled to claim an immediate deduction for all assets that were allocated to the general small business pool. It is not a choice; it is a requirement.

Company Tax Rates

A company with a turnover of less than $50 million will be paying a reduced tax rate of **26%** if it is a Base Rate Entity (BRE). A company is a BRE if no more than 80% of its assessable income is passive income (rent, interest, shares and other investments). Dividends declared for the 2021 year will be franked at **26%**. The company tax rate is legislated to decrease to 25% for the 2022 and later income years.

Superannuation

Ensure all employee superannuation contributions have been paid to the super fund by 23 June 2021 to ensure a tax deduction for this year. Maximum concessional (employer) superannuation contributions for individuals (excluding any catch-up contributions) are **$25,000 regardless of their age**.

The superannuation guarantee rate will rise from 9.5% to **10%** on 1 July 2021, so businesses with employees will need to ensure their payroll and accounting systems are updated to incorporate the increase to the super rate.

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 (for the whole year) by way of gift/benefit 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.
- Accrual basis - write up the invoices in the next financial year.

Single Touch Payroll

From 1 July 2021 all employers excluding closely held entities are required to report through STP at the time of each pay day. Closely held entities (companies employing family members only) can still report quarterly through a registered tax agent.

Audit Spotlight

The ATO will continue to target the cash economy with a focus on businesses in cleaning, courier, building and construction industry. The ATO will continue to data match information lodged through the Taxable Payments Summary Report with the income tax returns lodged. The new tool used by ATO is to identify taxpayers whose income appears to be lower than their personal living expenses.

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

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 save 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 tax 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.

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

Happy New Financial Year!

Regards from the team,

Nina, John, Sisa, Bojana, Skye, Penny and Aakriti