

# Top ten tax tips

Hoffman Kelly Chartered Accountants would like to give you our **top ten tax tips** for business.

We are happy for you to call and discuss any of these points. We are also offering an obligation free meeting to review your tax structure to identify any areas of improvement.

## 1. Claim a tax deduction for \$300 gift cards and alcohol

- Gifts to clients for home consumption are tax deductible. Gifts to employees and directors are also tax free, provided they are provided infrequently and are less than \$300 each.
- Buy Wish gift cards, perfume or some bottles of wine and save 40% of the cost by claiming back the GST as well as a tax deduction!
- Contrast this to taking your client or employee out to dinner, or giving them movie tickets. The ATO considers this "entertainment" and this is not tax deductible, nor is the GST claimable, regardless of who it's for or the monetary amount.

## 2. Pay your June Quarter Superannuation by 30 June

- Superannuation isn't payable until the 28th day after the end of the quarter. However, you also can't claim a tax deduction until you have paid it.
- The ATO says that a contribution isn't made until the super fund receives the money, so make the June quarter contribution a few days before 30 June. Alternatively use the new Medicare superannuation clearing house so you don't have to worry about it.

## 3. Always pay off non-tax deductible debt first and don't mix Investment and Personal Debt

- If you have a rental property loan, and you deposit your wage into it and draw the exact same amount out the next day, you have just decreased the tax deductible % of your loan. Don't mix personal and tax deductible debt.
- If you are considering renting out your home in future, consider the use of a mortgage offset account and interest only loan. This way you minimise the interest, but can still get a tax deduction for 100% of the interest on the original loan amount if you decide later to rent your current home and buy a new one.

## 4. Leases, Chattel Mortgages and Hire Purchase Agreements are all different

- You should ask for advice from your accountant every time you finance a new asset, as they all have different tax and GST treatments, and which one is best will depend on the particular type and use of asset you are buying.
- Your accountant will need to see the finance documentation when preparing your tax return, without it your tax return may be incorrect.
- Hire Purchase Agreements and Chattel Mortgages now have exactly the same tax treatment, but Hire Purchase Agreements are usually cheaper.

## 5. Are all your children listed on your Trust Tax Return?

- Anyone under 18 can receive tax trust distributions of \$3333 per year tax free. That's a saving of \$1000 per year per child! No excuses for not having a trust as part of your business structure.
- What about your nephews and nieces, or your grand kids?
- If your son is about to turn 18 and go to uni, have you looked at the possibility of deferring tax until next year?
- What about Mum and Dad who are retired? If self-funded and over 60, they are likely to be able to receive a large trust distribution at a low tax rate. If receiving the age pension, they may still be able to receive an amount tax free without affecting their pension.
- Stay at home Mum's and Dad's can earn \$4672 per year without tax and without affecting their Family Tax Benefit Part B claim.

## 6. You may be liable for 9% Superannuation Guarantee, Work Cover and Payroll Tax for contractors even if they are on an ABN!

- Consider changing the terms of the agreement so that contractors are remunerated for providing a “result” rather than being paid an hourly rate.
- Alternatively, see if they would be willing to contract through a company or trust and thus absolve you of any liability for superannuation, work cover and payroll tax.

## 7. Tax Return preparation

- Have you reviewed your asset schedule for assets you have disposed of? If not you may be missing out on claiming a tax deduction for the written down value.
- Have you checked that no bad debts are included in your MYOB file?
- Items less than \$1000 can be claimed as an immediate tax deduction for a small business tax payer. For other businesses any individual item over \$100 has to be depreciated.
- Are you a business owner taking more than an \$80,000 wage? You shouldn't be.
- Do you know what's in your shareholder's loan account?
- Do you know what transactions have resulted in a GST adjustment and can you reconcile your balance sheet GST figures?

## 8. Are you paying too much Land Tax?

- Each trust should own no more than one property to avoid land tax which is payable if the total unimproved value of property exceeds \$350,000.
- Assets should be held in separate trusts to maximise asset protection and minimise land tax. Ideally, each trust will have a separate corporate trustee.

## 9. Have you considered which GST method is right for your cash flow?

- If your clients pay you upfront, or if you're a property developer and your clients don't pay until the end of the job, you should be on an “Accruals” basis for GST.
- If you always pay your debts on time, but your clients are late in paying you, you should be on a “Cash” basis for GST.

## 10. Are you managing your FBT?

- Fringe Benefits Tax (FBT) is the most expensive tax. Roughly you pay \$1 FBT tax for every \$1 of expenditure. Make sure your accountant has advised you of the types of costs that are subject to FBT, and is adjusting for the ATO deemed private use of your cars as an employee contribution each year when preparing your tax return.
- Mobile phones are 100% tax deductible if they are a majority work use.
- Salary Sacrificed laptops are also tax deductible if the intention is to use them for a majority work use when purchased. Don't depreciate business laptops, salary sacrifice them!
- Do you drive over 15,000 kms per year? If so your car should probably be owned by your business to maximize tax savings.
- Going out to dinner whilst travelling overnight is tax deductible. At all other times, going out to dinner for a business meeting is not.



**Invitation**

**Free review** of your Business Structure

If you would like a free no obligation meeting to review your existing structure, then please call 3394 2311 or 4124 5656 or email [mail@hoffmankelly.com.au](mailto:mail@hoffmankelly.com.au)

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