



Year End Tax Planning Tips

Decisions you make now can affect the amount of tax you will pay at the end of the financial year. Below are some issues that should be considered prior to the end of the financial year.

1. Timing of Expenses

Expenses will generally be deductible if incurred by 30 June. Remember however:

- There must be a presently existing liability at 30 June for the expense to be 'incurred';
- Provisions are generally not deductible;
- Some accruals are not deductible;
- Most prepayments are not deductible (See section 6)

2. Repairs

Expenses for repairs on or before 30 June are generally deductible, but must not be:

- Initial repairs;
- Substantial replacement of an asset;
- Improving an asset

3. Gifts

Donate gifts to tax deductible charities on or before 30 June.

- Check that payment is to an ATO endorsed "deductible gift recipient" (DGR). This information is publicly available on www.abn.business.gov.au by searching for the organisation's name.

4. Home Office Expenses

- Portions of interest, rent and insurance are not deductible unless carrying on business from home and the area is separate and distinguished from private living areas.
- Power and depreciation can be claimed at the rate of 45 cents per hour
- Complete a 4 week diary to substantiate home office expense

5. Car Expenses



AYLMORE & ASSOCIATES

CHARTERED ACCOUNTANTS

- If claiming actual expenses, check that your log book is current (within 5 years).
- Check that log book details are correct.
- Remember to start a new log book if your circumstances or travel patterns have changed this year, for example if you have started a new job or purchased a new vehicle.
- Ensure year end odometer readings are taken.
- Ensure all relevant receipts have been kept such as:
 - Fuel
 - Insurance
 - Registration
 - Servicing
 - R&M
 - Depreciation

6. Prepayments/Advanced Expenditure

Where expenses are paid but allocated over a period of time because the benefit will be provided over time (such as insurance) the deduction is also allocated over the same period of time and if applicable across tax years.

These prepayment rules do not apply to 'excluded expenditure' so consider prepaying deductible expenditure prior to 30 June. Excluded expenditure includes:

- Salary (but remember this will be assessable in the hands of the recipient);
- Amounts required to be paid by law or a court;
- Expenditure under \$1,000;
- Expenditure of a capital nature

7. Prepayments for Non-Business Individuals

There are a separate series of concessional prepayment rules that apply to individuals who prepay expenditure (not carrying on a business). They are:

- 12 Month Rule – An immediate deduction for expenditure incurred before 30 June if eligible service period does not exceed 12 months and the service period ends in the next income year: examples include prepaid interest for rental property loan;
- Other prepayments deductible over service period.



8. Superannuation

The following superannuation fund issues require advice from either Brodie or David in the office as they are Authorised Representatives of SMSF Advisers Network:

- If over 55 years of age, consider salary sacrificing superannuation contributions
- Ensure that at least the minimum pension payments have been made for those in pension phase
- Employee superannuation guarantee contributions required – 9.5% of employee's gross wage must be paid by 28 July after the end of the financial year however, to claim the deduction this financial year the payment needs to be made to by 30 June.
- Before making any further contributions prior to year-end, make sure that you take into account contributions that have already been made, and ensure that contributions made for the year do not exceed the concessional or non-concessional contribution limits.
- The maximum deductible superannuation contribution amount should be confirmed with our office each year and for currently for the 2017 and subsequent financial year are as follows:

Aged over 49 or over at 30/06/2016 = \$35,000

All other ages below 49 = \$30,000

9. Directors' and Employees' Entitlements

- Conduct shareholders' meetings before 30 June to approve directors' fees and bonuses to claim deductions for each year.
- Ensure arrangements for employee bonuses based on year end results are in place before 30 June.

10. Depreciation

- Scrap all obsolete plant and equipment by 30 June
- Consider reassessment of effective life if plant has excessive use etc.
- Consider delaying disposal of plant items for a profit until after 30 June.
- Consider bringing forward disposal of plant items for a loss to before 1 July.
- Items of plant costing less than \$1,000 – can be immediately claimed.

Contact Us today to make an appointment with one of our Tax specialists.