MINIMISE YOUR BUSINESS TAX

2021 TAX PLANNING GUIDE

Imagine what you could do with tax saved?

- Reduce your home loan
- Top up your super
- Save for a holiday (when we can travel again!)
- Deposit for an Investment Property
- Pay for your children's education
- Upgrade your Car

Here is a guide to the strategies you can use to minimise your business tax.

IS YOUR BUSINESS A **"SMALL BUSINESS" ENTITY?**

Small businesses can access a range of tax concessions from the ATO. To qualify as a "Small Business Entity", the business must have an aggregated turnover (your annual turnover plus the annual turnover of any business connected / affiliated with you) of less than $10 million and be operating a business for all or part of the 2021 year.

REDUCTION IN COMPANY TAX **RATES**

The 2021 company tax rate for businesses with less than $50 million turnover is 26%, if 80% or less of a company's assessable income is "passive income" (such as interest dividends, rent, royalties and net capital gains).

If you use a Trust structure, one strategy is to allocate profits to a "Bucket Company" and cap your tax at 26% for the 2020 year. Note that this company must qualify as a "base rate" entity to be eligible for the lower 26% company tax rate. Please discuss with us whether your company will qualify.

TEMPORARY FULL EXPENSING FOR **ASSET PURCHASES**

Businesses with an aggregated turnover of less than $5 billion can immediately deduct the business portion of the cost of eligible new depreciating assets.

For businesses with an aggregated turnover of less than $50 million, temporary full expensing also applies to the business portion of eligible second-hand depreciating assets.

You should buy these assets and use them or have them ready for use before 30 June 2021. Talk to us today about your options!

MAXIMISE DEDUCTIBLE **SUPER CONTRIBUTIONS**

The concessional superannuation cap for 2021 is $25,000 for all individuals. Do not go over this limit or you will pay more tax!

Note that employer super guarantee contributions are included in these caps. Where a concessional contribution is made that exceeds these limits, the excess is included in your assessable income and taxed at your marginal rate, plus an excess concessional contributions charge.

For the contribution to be counted towards the employee's 2021 contribution cap, it must be received by the fund by 30 June 2021.

TOOLS OF TRADE / **FBT EXEMPT ITEMS**

The purchase of Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to buy equipment with a tax benefit. Items that can be packaged include handheld/portable tools of trade, computer software, notebook computers, personal electronic organisers, digital cameras, briefcases, protective clothing, and mobile phones.

If structured correctly, the employer will be entitled to a tax deduction for the reimbursement payment to the employee (for the equipment cost), claim any GST input credit, and the employee's salary package will only be reduced by the GST-exclusive cost of the items purchased.

You should buy these items before 30 June 2021.

REPAIRS & MAINTENANCE

Make payments for repairs and maintenance (business, rental property, employment) BEFORE 30 June 2021.

PAY EMPLOYEE **SUPERANNUATION NOW**

To claim a tax deduction in the 2021 financial year, you need to ensure that your employee superannuation payments are received by the super fund or the Small Business Superannuation Clearing House (SBSCH) **by 30 June 2021**.

You should avoid making last minute superannuation payments as processing delays may cause them to be received after year-end. If for any reasons you end up having to make last minute payments and you would like to claim them as deductions for the current year, contact us immediately and before you make any payments for possible resolutions.

DEFER INCOME

If possible, defer issuing further invoices and receiving cash/debtor payments until after 30 June 2021. This strategy pushes tax payable to future years.

BRING **FORWARD EXPENSES**

Purchase consumable items BEFORE 30 June 2021. These include marketing materials, consumables, stationery, printing, office and computer supplies. Spend the money now and get the deduction this year.

DEFER INVESTMENT **INCOME & CAPITAL GAINS**

If possible, arrange for the receipt of Investment Income (e.g. interest on Term Deposits) and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2021.

The Contract Date is generally the key date for working out when a sale occurred, not the Settlement Date!

MOTOR VEHICLE **LOG BOOK**

Ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2021. You should make a record of your odometer reading as at 30 June 2021 and keep all receipts/invoices for motor vehicle expenses.

An alternative (with no log book needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

INVESTMENT PROPERTY **DEPRECIATION**

If you own a rental property and haven't already done so, arrange for the preparation of a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

PRIVATE COMPANY **("DIV 7A") LOANS**

Business owners who have borrowed funds from their company in previous years must ensure that the appropriate principal and interest repayments are made by 30 June 2021. Current year loans must be either paid back in full or have a loan agreement entered in before the due date of lodgement for the company return, or risk having it counted as an unfranked dividend in the return of the individual.

SMALL BUSINESS CONCESSIONS - **PREPAYMENTS**

"Small Business Concession" taxpayers can make prepayments (up to 12 months) on expenses (e.g. loan interest, rent, subscriptions) BEFORE 30 June 2021 and obtain a full tax deduction in the 2021 financial year.

TRUSTEE **RESOLUTIONS**

Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2021 for all Discretionary ("Family") Trusts. Please see us for more information about these resolutions.

YEAR-END STOCKTAKE / **WORK IN PROGRESS**

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2021. Review your listing and write-off any obsolete or worthless stock items.

Talk to us about your different options for valuing Stock, and how they affect your tax payable.

WRITE-OFF **BAD DEBTS**

Review your Trade Debtors listing and write-off all bad debts BEFORE 30 June 2021. Prepare a management meeting document listing each bad debt, as evidence that these amounts were written off prior to year-end and enter these into your accounting system before 30 June 2021.

IMPORTANT INFORMATION

This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from your financial adviser and seek tax advice from your accountants at Meridian Accounting & Business Services. Information is current at the date of issue and may change.

Talk to us TODAY before the 30 June 2021 deadline for assistance to reduce your tax!

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