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2012/13 Year-end Checklist for Business

Many of our business clients like to review their tax position at the end of the financial year and evaluate any year-end strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for small businesses is based around two simple concepts – i.e., accelerating business deductions and deferring income.

However, Small Business Entities (SBEs) have greater access to year-end tax planning due to particular concessions that only apply to them. The SBE system replaced the previous Simplified Tax System ("STS") on 1 July 2007. Taxpayers that qualify as an SBE can pick and choose which of the concessions they wish to use each year (although restrictions still remain in relation to the simplified depreciation rules). The basic requirement to be eligible for the SBE concessions is that the business taxpayer's annual turnover (including that of some related entities) is less than \$2 million.

The following are a number of areas that may be considered for all business taxpayers.

Maximising deductions for non-SBE taxpayers

Non-SBE business taxpayers should endeavour to maximise deductions by adopting one or more of the following strategies:

- Prepayment strategies;
- Accelerating expenditure; and
- Accrued expenditure.

Prepayment strategies – non-SBE

Any part of an expense prepayment relating to the period up to 30 June is generally deductible in full.

In addition, non-SBE taxpayers may generally claim the following prepayments in full:

- expenditure under \$1,000;
- salary and wages; or
- expenditure required to be incurred under law.

Editor: Prepayments can be a little confusing, so before you commit to making a payment please feel free to call us with any queries or assistance if required.

Accelerating expenditure – non-SBE

This is where a business taxpayer brings forward the expenditure on regular, on-going deductible items. However, business taxpayers are generally entitled to deductions on an "incurred basis".

Therefore, there is generally no requirement for the expense to be paid by 30 June 2013. As long as the expense has genuinely been incurred, it will generally be deductible.

Checklist

The following may act as a checklist of possible accelerated expenditure:

- Depreciating assets** costing \$100 or less can be written off in the year of purchase. Depreciating assets costing less than \$1,000 can be allocated to a low value pool and depreciated at 18.75% (which is half of the full rate of 37.5%) in their first year regardless of the date of purchase.
- Repairs** – repairs to office premises, equipment, cars or other business items.
- Consumables/spare parts.**
- Client gifts.**
- Donations.**

2013 Individual Tax Return Checklist

3. Self education expenses

Consider pre-paying the following self education items before the end of the income year:

- ◆ course fees (but not HECS-HELP fees), student union fees, and tutorial fees;
- ◆ interest on borrowings used to pay for any deductible self education expenses.

Also bring forward purchases of stationery and text books (i.e., those which are not required to be depreciated).

4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2013:

- union fees;
- subscriptions to trade, professional or business associations;
- magazine and newspaper subscriptions;
- seminars and conferences;
- income protection insurance (excluding death and total/permanent disability).

Note: When prepaying any of the expenses above before 1 July 2013, ensure that any services being paid for are to be provided within a 12 month period that ends before 1 July 2014. Otherwise, the deductions must generally be claimed over the period of the prepayment.

Information Required

We will need you to bring information to assist us in preparing your income tax return.

Please check the following and bring along payment summaries, statements, accounts, receipts, etc., to help us prepare the return.

Income/Receipts:

- payment summaries for salary and wages;
- lump sum and termination payments;
- government pensions and allowances;
- other pensions and/or annuities;
- allowances (e.g., entertainment, car, tools);
- interest, rent and dividends;
- distributions from partnerships or trusts;
- details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax (CGT).

Deductions (in addition to those mentioned above):

- ◆ award transport allowance claims;
- ◆ bank and government charges on deposits of income, and deductible expenditure;
- ◆ bridge/road tolls (travelling on business);
- ◆ car parking (when travelling on business);
- ◆ conventions, conferences and seminars;
- ◆ depreciation of library, tools, business equipment (incl. portion of home computer);
- ◆ gifts or donations;
- ◆ home office running expenses:
 - cleaning
 - cooling and heating
 - depreciation of office furniture
 - lighting
 - telephone and internet;
- ◆ interest and dividend deductions:
 - account keeping fees
 - ongoing management fees
 - interest on borrowings to acquire shares
 - advice relating to *changing* investments (but *not* setting them up);
- ◆ interest on loans to purchase equipment or income-earning investments;
- ◆ motor vehicle expenses (business/work related);
- ◆ overtime meal allowances;
- ◆ rental property expenses – including:
 - advertising expenses
 - council/water rates
 - insurance
 - interest
 - land tax
 - legal expenses/management fees
 - genuine repairs and maintenance
 - telephone expenses
 - travelling to inspect property;
- ◆ superannuation contributions by sole traders or substantially unsupported taxpayers;
- ◆ sun protection items;
- ◆ tax agent fees;
- ◆ telephone expenses (business);
- ◆ tools of trade.