+ June 2015 Tax Planner

PRICE ROBERTS + CO

Chartered Accountants

Principles of tax planning

Tax planning may involve using an efficient trading/investing structure, deferral of income, bringing forward deductions, maximising deductions and using all available tax offsets (rebates).

There may also be trade-offs between saving some tax and locking money away (eg. in super) and stretching cash flow (eg. making prepayments). Importantly a tax deduction is only worth what your marginal tax rate is, eg. a deduction of $1 for a taxpayer on a 34.5% marginal tax rate saves them only 34.5c of tax otherwise payable.

Accordingly buying unnecessary items is really throwing away money.

Rental property issues

Rental property owners may consider:

- prepaying interest on a rental property loan;
- buying tools or materials to be used for upcoming repairs or maintenance before year end;
- keeping track of trip numbers and distances to check on the rental property, meet with tenant/agent, buy tools or equipment for the rental property etc; and
- engaging a quantity surveyor to provide a depreciation and capital write-off schedule for fixtures and fittings and construction costs of rental properties that are relatively young or have had significant improvements in recent years.

Prepayments

Deductions are generally claimed in full in the year expenditure is incurred, however special prepayment rules apply where the taxpayer is:

- a small business entity and does not apportion the expenditure over the ‘eligible service period’ (the period to which the expenditure relates); or
- an individual with deductible non-business expenses (eg. interest on a rental property loan, professional subscriptions, income protection insurance etc.).

Such taxpayers may claim an outright deduction in the year of payment where the eligible service period:

- is 12 months or less; or
- ends no later than the last day of the income year following the year in which the expense was incurred.

However the prepayment rules do not apply to ‘excluded expenditure’ eg.:
• amounts of less than $1,000; or
• payments of salary or wages (under a contract of service).

Otherwise, the deduction for prepaid expenditure is claimed progressively across the eligible service period.

Capital Gains Tax planning

Consider disposing (including an off-market transfer) of underperforming investments and thereby crystalising capital losses if you have derived capital gains during the year.

Capital allowance immediate deduction

An immediate deduction may be available for the cost (excluding any GST claimed back) of a depreciating asset is less than:

- $20,000 if used in carrying on a business; or
- $300 if used to derive non-business income (eg. salary and wage or rental income).

MAIN OFFICE 34 Victoria Street, Victor Harbor, SA 5211 Tel 08 8552 2822 Fax 08 8552 4481 admin@priceroberts.com.au priceroberts.com.au
BRANCHES 31a Cadell Street, *Goolwa* 84 Main Road, *Yankalilla*

Trading stock

Consider whether it may be useful to revalue trading stock (trading stock is considered to be on hand if the taxpayer is in a position to dispose of it) at year end, noting that stock can be valued at:

• cost;
• market selling value; or
• replacement value.

Obsolete stock, stock disposed of outside the ordinary course of business or stock taken for personal-use also need to be considered.

Super contribution caps

When contributing material or extra amounts into superannuation it is important to not exceed the contribution caps.

For the year ending 30 June 2015:

- concessional (deductible) contributions for the year ended 30 June 2015 are capped at $30,000 (up to age 49) and $35,000 (age 49 +); and
- non-concessional (undeducted) contributions for the year ended 30 June 2015 are capped at $180,000.

Taxpayers aged less than 65 on 1st July of the financial year may apply the 'bring forward rule' and contribute up to $540,000 (current year and the next 2 years' worth) but check this has not already been triggered with contributions in the preceding two years.

Concessional (deductible) contributions include employer (+ salary sacrificed) and personal concessional contributions; however an individual will only be eligible to make personal concessional contributions where they satisfy the '10% rule' (they receive employer super support on less than 10% of their income).

Remember that super contributions are only considered to have been made in the year in which they have been received by a fund. Accordingly contributions should be made at least a few business days before financial year end.

An employer only claims a super deduction only when the amount has been paid (ie. cleared out of the employer's bank account).

Spouse super contributions rebate

Where your spouse derives assessable income of less than $13,800 and are able to contribute into super you can make superannuation contributions on their behalf in order to receive a tax offset of up to $540.

ATO compliance focus

In the 2014/15 financial year the ATO will be focusing on:

- cash economy – identifying businesses that fail to account for all income or pay wages in cash;
- GST compliance – checking the accuracy of BAS reporting particularly for input tax credits;
- personal technology – taxpayers may only claim the business use percentage of smartphones, tablets and laptops;
- travel costs – large amounts and the validity of deductions claimed for transporting bulky tools and equipment.

Please contact our office with any accounting or taxation questions.

MAIN OFFICE 34 Victoria Street, Victor Harbor, SA 5211 Tel 08 8552 2822 Fax 08 8552 4481 admin@priceroberts.com.au **priceroberts.com.au**
BRANCHES 31a Cadell Street, *Goolwa* 84 Main Road, *Yankalilla*