



**ARE YOU A
BUSINESS
OWNER
PAYING TOO
MUCH TAX?**

**10 PROVEN STRATEGIES TO HELP YOU
KEEP YOUR HARD EARNED CASH
AWAY FROM THE ATO**

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ACCOUNTANTS

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Are you a Business Owner paying too much Tax?

If you're in business and you feel year after year you're giving too much of your hard-earned dollars away to the ATO, there may be some strategies we can implement for you to minimise the amount of tax you're required to pay.

Tax Planning = Tax Saving!!!

Here are 10 strategies that we have executed for our clients that have saved them thousands of dollars.

STAFF SUPER



SCENARIO

Employers are required to pay staff super within 28 days of the end of the quarter.

For the June quarter this means payment by 28th July (the next financial year).

Client with an annual payroll of \$3,065,000.

Super for June quarter \$72,793



WALSH SOLUTION

Whilst the super is not due to be paid until 28th July, by making the payment in the month of June the Deduction will be deductible in this year.

There is a special rule in that super is deductible in the year it is paid.

Current Year TAX SAVING →

\$21,838

MAXIMISE SUPER CONTRIBUTIONS



SCENARIO

Client who was on top tax rate was entitled to but hadn't made any super contributions for herself or her husband who also worked in the business



WALSH SOLUTION

Advised clients that as they are over 50 they can make a maximum contribution of \$35,000 each. The contribution is subject to 15% tax inside of super. Please note that 2017/18 maximum contribution is now \$25,000

Current Year TAX SAVING →

\$23,800

PREPAY EXPENSES



SCENARIO

Business Client (company) which had experienced a large jump in profit with an annual turnover of less than \$2m had the following amounts that the business was scheduled to pay in the coming tax year.

Interest on Bank facilities	\$27,650
Rent on business Premises of	\$6540 per month
Business Insurances due in July	\$34,560
Pre planned marketing spend in August	\$35,000



WALSH SOLUTION

As the company is a small business entity (SBE) we worked with the client (and their cashflow) to:

- Prepay interest for year
- Prepay 3 month rent
- Arrange premium funding in June
- Pay invoices in June

Current Year TAX SAVING →

\$35,076

BUY NEW EQUIPMENT

SCENARIO

Client operating a SBE with through a trust. Income sufficient to mean beneficiaries are on top tax brackets.

Business needed to acquire a range of plant and equipment to replace old and provide for future growth within the next 6 months, including:

- 2nd hand Work Van \$19,000
- Replacement of IT server \$16,500
- 5 new laptops \$15,000
- Reception and desk replacements \$7,600
- Upgraded Phone System \$12,300

WALSH SOLUTION

We identified that under the newly announced immediate asset write off for SBE for each asset costing less than \$20,000

Client then arranged with their finance provider to fund all using chattel mortgages.

Current Year TAX SAVING →

\$21,120

MAXIMISE INVESTMENT PROPERTY DEDUCTIONS



SCENARIO

Client held 3 Residential Investment properties. All were effectively 100% geared though the use of a bank facility against their residence:

- **Property 1** – Purchase Price \$403k / Debt \$303k Construction \$197k
- **Property 2** – Purchase Price \$456k / Debt \$334k Construction \$226k
- **Property 3** – Purchase Price \$378k / Debt \$287k Construction \$189k

Debt against residence used to fund properties \$313k



WALSH SOLUTION

We identified that the client didn't have any quantity surveyor reports to enable building depreciation to be claimed.

We also noticed that they hadn't been claiming the interest on the funds secured by their residence to fund the deposits.

We advised the client to prepay the interest on each of the investment property loans.

- P1 - Interest Prepay \$13,816 | Building Dep \$4,925
- P2 - Interest Prepay \$14,529 | Building Dep \$5,650
- P3 - Interest Prepay \$12,542 | Building Dep \$4,725

Interest not being claimed \$13,521

Current Year TAX SAVING →

\$34,156

MAXIMISE INVESTMENT PORTFOLIO DEDUCTIONS



SCENARIO

Client had an investment portfolio of shares and managed funds which was geared.

Investment Debt \$640,000



WALSH SOLUTION

We advised that the interest on the investment debt could be prepaid and claimed in the current year.

Client prepaid interest of \$35,840

Current Year TAX SAVING →

\$17,561

TAX EFFICIENT TRUST DISTRIBUTIONS



SCENARIO

Client operating a business using a trust. Business income was \$175k. Client was intending to distribute all income to himself.

When reviewing their tax numbers we noticed that he had a teenage daughter who had turned 18 with no income and that his Wife's salary income was \$42,000

Tax if all distributed to him **\$56,227**



WALSH SOLUTION

We prepared distribution minutes to allocate \$70,000 to his daughter, \$25,000 to his wife and the balance (\$80,000) to himself.

Tax using the above allocation **\$43,595**

Current Year TAX SAVING →

\$12,632

ESTABLISHMENT OF BUCKET COMPANY



SCENARIO

Client's trading company was likely to pay a franked dividend to the trust who owned the shares of \$400,000.

The client was already on the highest tax bracket and wasn't planning on using the funds.

Top up tax payable by the client would have been **\$82,000**



WALSH SOLUTION

We identified that if established before 30 June, the trust could distribute the franked amount to a 'bucket' company.

As the income was franked there would be no tax payable by the company.

Current Year TAX SAVING →

\$82,000

FLOW FRANKED AMOUNTS THROUGH A TRUST WITH LOSSES



SCENARIO

Client had a trust that owned the shares in their trading entity which had retained profits and franking credits. The trust had \$78,000 in carried forward losses. The clients had no further income.



WALSH SOLUTION

We advised that the company could declare a franked dividend of \$150k (with \$64k imputation credits). After utilising the trust's losses the clients each received refunds of **\$16,964**

Current Year TAX SAVING →

\$33,928

TAKE DIVIDENDS AS OPPOSED TO SALARY



SCENARIO

Clients (husband and wife) were planning to declare a salary each of \$100,000 to cover the amounts they had taken from their trading company. The company was unlikely to make a taxable profit in the current year; however, it had sufficient retained profits and franking credits.

The tax for each of them on the salary would have been \$26,976 (total \$53,952).



WALSH SOLUTION

We suggested that instead of salaries for the year the company declare a franked dividend to each of them of \$100,000. Resulting in tax each of \$834 after utilising the imputation credits.

Current Year TAX SAVING →

\$52,284

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