WALSH

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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TOO MUCH TAX?

TAX PLANNING

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TAX SAVING!

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.

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

Staff superannuation

Scenario	Walsh solution
Employers are required to pay staff superannuation within 28 days of the end of the quarter. For the June quarter this means payment is due by 28 July (next financial year) Client with an annual payroll of $3,065,000. Superannuation for June quarter $72,793	Whilst the super is not due to be paid until 28 July, by making the payment in the month of June the deduction will be deductible this year. There is a special rule in that superannuation is deductible in the year it is **paid**. *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 2022. As is takes some time to process, we highly recommend you make your SGC payments by the 20th of June.*

Current year **TAX SAVING** **$18,198**

Maximise superannuation contributions

Scenario	Walsh solution
A 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.	Advised the client they can make a maximum contribution of $27,500 each. The contribution is subject to 15% tax inside of super.

Current year **TAX SAVING** **$17,600**

Catch up Super Contributions.

From 1 July 2018, people can make “carry-forward” concessional super contributions if they have a total superannuation balance of less than $500,000. People can access their unused concessional contributions caps on a rolling basis for five years.

This can be difficult to calculate so professional guidance is encouraged.

Prepay expenses

Scenario

A business client (company) who had experienced a large jump in profit with an annual turnover of less that $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 (per month)	$ 6,540
Business insurances due in July	$34,650
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 / 12mo in advance
→ Prepay 3 months rent
→ Arrange premium funding in June
→ Pay invoices in June

Current year **TAX SAVING** **$29,230**

Buy new equipment

Scenario

A client is operating a SBE through a trust. Income sufficient to mean beneficiaries are in the 34.5% tax bracket.

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

→ New work van	$45,000
→ 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 temporary full expensing rules, the SBE can immediately write off each asset with no upper limit to each asset's cost.

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

Current year **TAX SAVING** **$33,258**

Maximise investment property deductions

Scenario

A client holds 3 residential investment properties. All were effectively 100% geared through the use of a bank facility against their residence:

→ **Property 1** - Purchase price $403,000
Debt $303,000 | Construction $197,000

→ **Property 2** - Purchase price $456,000
Debt $334,000 | Construction $226,000

→ **Property 3** - Purchase price $378,000
Debt $287,000 | Construction $189,000

Debt against residence used to fund properties $313,000

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.

→ **Property 1**	- Interest prepayment	$13,816
	- Building depreciation	$ 4,925
→ **Property 2**	- Interest prepayment	$14,529
	- Building depreciation	$ 5,650
→ **Property 3**	- Interest prepayment	$12,542
	- Building depreciation	$ 4,725
Interest not being claimed		$13,521

Prepayments only deductible for up to 12mo in advance

Current year **TAX SAVING** **$32,763**

Maximise investment portfolio deductions

Scenario

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

Investment debt of $640,000

Client on top marginal tax rate

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.

Prepayments only deductible for up to 12mo in advance

Current year **TAX SAVING** **$16,845**

Tax efficient trust distributions

Scenario

A client operating a business using a trust. Business income was $175,000. The client was intending to distribute all income to himself.

When reviewing their tax numbers, that his wife's salary income was $20,000.

Tax if all distributed to him **$49,817**.

Walsh solution

We prepared distribution minutes to allocate $75,000 to his wife, and the balance to himself.

Tax using the above allocation **$44,309.**

Current year **TAX SAVING** **$5,508**

Establishment of bucket company

Scenario	Walsh solution
A client's trading company (SBE) 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 **$117,333**	We identified that if another company is established before 30 June, the trust could distribute the franked amount to a 'bucket' company. As the income was franked, there would be minimal tax payable by the company.

Current year **TAX SAVING** **$90,666**

Flow franked amounts through a trust with losses

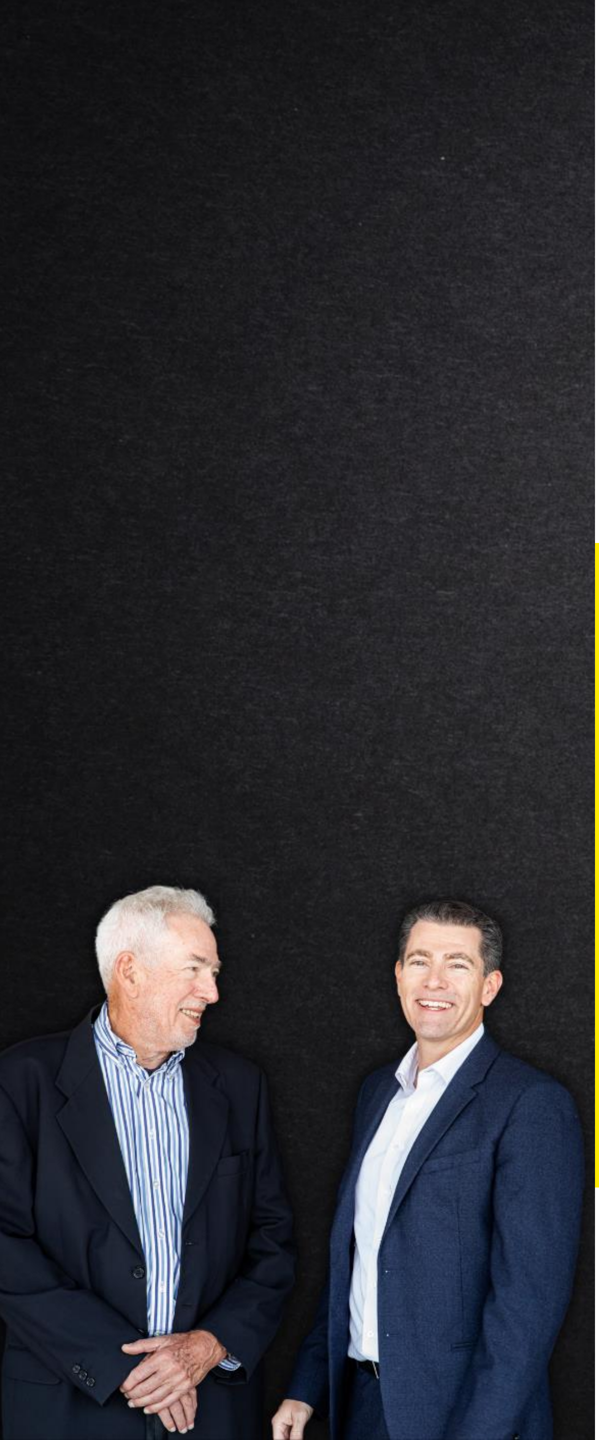
Scenario	Walsh solution
Clients (husband & wife) had a trust that owned the shares in their trading entity (SBE) which had retained profits and franking credits. The trust had $78,000 in carried forward losses. The clients had no further income. Husband and wife and both beneficiaries of the Trust	We advised that the company could declare a franked dividend of $150,000 (with $50,000 imputation credits). After utilising the trust's losses, the clients each received refunds of **$15,073.**

Current year **TAX SAVING** **$30,146**

Take dividends as opposed to salary

Scenario	Walsh solution
Clients (husband and wife) were planning to declare a gross 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 $23,767 ($47,534) which the company would have needed to pay as PAYG Withholding.	We suggested that instead of salaries for the year, the company declare a franked dividend to each of them of $100,000. This resulted in tax each of $3,734 after utilising the imputation credits. *Payment of a dividend can be better from a cashflow perspective due to PAYG withholding and a requirement to pay compulsory superannuation contributions on top of wages (salary)*

Current year **TAX SAVING** **$40,066**



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