

Year End 2001 Tax Planning

HOLDEN & BOLSTER

Chartered Accountants since 1971
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This special report has been put together to help you save tax this year, bearing in mind that the June 30 deadline is approaching rapidly.

Defer Receipt of Assessable Income

Where possible, clients should defer receiving income (including realised capital gains) until next financial year (ie. to reduce the amount of tax payable in the current year). This will be of particular benefit to companies given the change in company tax rates from 1 July 2001.

Companies will pay tax on income at only 30% next year as compared to 34% this year.

Bring forward deductible Expenses

Where possible, bring forward deductible expenses in order to minimise the amount of tax payable in the current financial year. If they incur the expenses in this financial year, they will get a tax deduction of 34%, whereas next year they will only get a tax deduction of 30%.

Prepayments

Utilise the 13-month prepayment rule. Making prepayments is an opportunity to bring forward some of next year's deductions. Prepaying expenses up to 13 months in

advance will be allowed as a deduction in the year that they are paid.

These include; leases; rent; repairs, interest; insurance; travel ; seminars; stationery etc.

Clients with geared investments should consider pre-paying their interest costs up to 13 months in advance. This will give them a greater tax deduction in the current financial year, which will be particularly valuable if income for this year is large.

Bad Debts

Review trade debtors before 30 June. Bad debts must be written off before year-end, to claim a tax deduction.

Stock

Stock with no value should be disposed of prior to year-end. All obsolete stock should be written down to a "realistic value" to avoid the over valuation of stock. It is essential to physically count stock on hand at 30 June and stock values should be net of GST.

Staff Bonuses

Calculate and pay staff bonuses before the end of June, and not in July.

Maximise Deductible Super Contribution

The biggest opportunity for tax planning is superannuation. If you are anticipating a large tax bill this year, consider contributing more into superannuation before June 30.

The maximum deductible contributions (MDC) are aged-based and are as follows:

- ◆ \$11,388 if you are under 35
- ◆ \$31,631 if aged between 35 and 49
- ◆ \$78,445 if you are 50 or over
- ◆ Taxpayers with "income"(taxable income plus super contributions) over \$81,493 will be subject to a tax surcharge on deductible contributions, up to a maximum surcharge of 15% for those with \$98,955 "income".

Note: Employers who wish to claim a tax deduction for the superannuation contributions this financial year, must make the payment by 30 June. Last day to avoid paying the non-deductible super guarantee levy is 28 July.

Contribute to Super to minimise Capital Gains Tax (CGT)

Business or Self-Employed clients that have sold an asset and realised a capital gain in the current financial year should consider making a deductible contribution to super. By

claiming a tax deduction for an amount, which offsets the assessable capital gain, it is possible to reduce and even eliminate CGT.

Maximise rebatable Spouse Contributions

Clients with a low income or non-working spouse should consider making super contributions on their behalf. If the spouse's assessable income is less than \$10,800, they will be entitled to a tax rebate of up to \$540.

Crystallise losses to minimise CGT

Clients with a poorly performing asset / investment(s) should consider selling in order to crystallise a capital loss. The capital loss can then be used to offset any current year capital gains as well as any distributed capital gains from managed funds.

If the asset was a business seek our advice.

Tax Effective Investments

This time of year there are a number of tax effective investments / schemes that are being promoted. Ensure that the promoter has a valid product ruling from the Tax Office. It is also important to consider not only the tax benefits, but also the risks associated with the investment before making a decision.

Please contact us before you commit to one of these investments.

If you are in doubt on any of the above issues, please call us to discuss the matter further.

