110 Financial Year End Planning Ideas

With only a week and a half to go, time is running out to get your year end actions in order. Given the drought of opportunity in this year's Federal Budget, many are rightly wondering "what should I be thinking about" and "have I missed the boat on something I don't know about"? We can report that year end planning is alive and well and that there are still things that you can do both before 30 June 2012 and in July, that will add significant value to your affairs. So if you are stuck wondering whether you have missed the EOFY boat of opportunity, wonder no more. Here are 110 ideas to spice up your year end.

The ideas have been grouped into the following categories so you can review the ones relevant to you:

1. Individual
2. Superannuation
3. Investments and Capital Gains Tax
4. Trusts
5. General businesses (if you carry on a business as a sole trader or through a company, trust, or partnership)
6. Small business entities
7. Other issues

Individuals

1. Review your private health insurance arrangements

- Confirm whether you are a member of a corporate health insurance program to obtain discounts on premiums.

2. Prepay private health insurance

- Prepay your private health insurance expenses for up to 30 months in advance before 1 July 2012 to continue the full 30% rebate, From 1 July 2012, the rebate is to be means tested for singles earning more than $84,000 and families on $168,000.

3. Reduce taxable salary by packaging FBT exempt items

- Consider salary packaging a laptop, tablet (e.g. iPad) or phone (e.g.) iPhone if you are using them predominately for work-related purposes

4. Time retirement and golden handshake payments prior to 1 July 2012

- Obtain a 30% tax rebate by paying retirement golden handshakes up to $175,000 before 1 July 2012. From this date, where earnings exceed $180,000, the rebate will no longer be available (up to $52,500 additional tax cost). You must retire from a position, not necessarily all employment.

5. Gifts and donations

- Make your donations before 30 June 2012.

6. Prepay the interest of your investment loan

- Consider a 12 month prepayment on investment loans, generating a tax refund/ reduction in tax payable of up to $47.50 for every $100 of interest prepaid.

7. Borrow to prepay interest on your investment loan

- You do not need to have cash in the bank to prepay an investment loan. Consider borrowing to fund the prepayment or drawing back on home mortgage facilities.

8. Other Prepayments

- Prepay your professional fees, work related course (e.g. MBA fees), or annual professional body registration fees. Consider prepaying your tax agent/ accounting fees.

9. Inspecting your investment property

- Make sure that your calendar records your inspection/s of your rental property and ensure you keep documentation of your travel expenses.

10. Obtain quantity surveyor's report

- For new or existing investment properties ensure you have a quantity surveyors report to justify depreciation on plant, fixtures and buildings.

11. Transfer investment assets to investment structures

- To avoid the new superannuation contributions surcharge, consider placing investments in other structures to reduce your qualifying personal income below the new $300,000 threshold.

12. Uniforms and work clothes

- Consider upgrading your work wardrobe if your work clothes qualify for deduction. In addition to classic uniforms, some suits and modern office wear also qualify where the garments carry certain attributes.

13. Home office expenses

- Complete a 4 week diary to justify your claim for home office expenses.

14. Car expenses

- Document a new log book (12 weeks) for your work related car travel, particularly if business use has substantially increased.

15. Work/ income producing travel

- Ensure appropriate travel diaries have been documented for costs to be deducted.

16. Work expenses

- Where work expenses are greater than $300, obtain written evidence of expenses.

17. Bring forward medical expenses for June

- Review your family's out-of-pocket medical expenses. If they are close to $2,060 which is the threshold you are eligible to claim a tax offset of 20% of the excess over $2,060. As the threshold resets each year, consider bringing forward medical expenses to maximise the effect of the rebate

18. Additional Leave Purchase

- Consider salary sacrificing for purchase of additional annual leave. A sacrifice that reduces your 2012 income will reduce your current year taxable income.

19. Work for hospitals and not-for-profit organisations

- Consider topping up the salary packaging your personal expenses (for hospitals up to $9,094.80 per year = $349.80 per fortnight) without the payment of any tax.
- For public benevolent institutions up to $16,050.

20. Living away from home allowance (LAFHA)

- Evaluate repackaging/ improving documentation. LAFHA will no longer be subject to the Fringe Benefit Tax laws but rather be shown as an assessable allowance on your annual PAYG summary increasing your taxable income and then claiming an offsetting deduction.

21. Consider upgrading your packaged car

- If your company car has a high trade-in value but low residual value, consider trading in your old car. The excess can be applied to reduce the rollover finance. This reduces the base value of your car for fringe benefits tax purposes, lowering the packaged cost of the car.

22. Package a fuel efficient diesel car

- Fuel efficient diesel cars do not attract luxury car tax, the rollover may reduce your refinance by $,000's together with the base value of your car.

23. Distribute income

- Consider distribution of income and adjustable taxable income under $250K threshold to keep your deduction for possible non commercial losses.

24. Defer term deposit maturity

- Defer recognition of income by deferring maturity of term deposits to post 30 June.

25. Associate lease

- Consider associate lease which could act as income split by reducing high income earners package and move income to low income spouse.

26. Transfer investment ownership

- Put income earning investments in low income spouses name e.g. term deposits, shares.

27. Log book currency

- If you claim motor vehicle expenses using a log book, make sure that you have a current log book.

28. Refinance

- Consider refinance opportunities from credit loans that may allow the business to borrow and repay credit loans from owners in turn paying out non-deductible personal loans.

29. Estate planning

- Ensure estate planning is considered for any significant event that has occurred during the year (e.g. marriage, new children/ grandchildren, restructure of business or investment assets).

30. Consider changes to debt arrangements

- 30 June is a good time to consider your bank debt and options to convert non-deductible (e.g. home mortgage) debt to deductible debt.

31. Take out tax audit insurance

- Take an audit insurance policy which provides your peace of mind against the substantial cost that may be incurred should the ATO or other government agency conduct a random review, investigation or audit.

32. Use a credit card to pay tax liabilities

- Yes, believe it or not, the ATO takes Master Card/Visa/Amex to pay your tax instalments and get those frequent flyer points. Note some Amex customers obtain only ½ a point, so check first.

33. Appointment of tax agent

- Make sure you appoint your tax agent before 31 October 2012 if you haven't done so to adopt late lodgement date for your tax affairs.

34. Review income protection insurance arrangements

- Examine current levels of income protection insurance and consider whether increases are appropriate having regard to pay increases/ additional business profits.

35. Review first home buying strategy

- The 2012/13 NSW budget provides up to an additional $19,245 in grants and concessions to first home buyers. However, funding is available only for new real estate. This may affect the decision to buy an older property.

Superannuation

36. Salary sacrifice additional concessional (tax deductible) employee contributions

- Consider additional contributions (including superannuation guarantee contributions) to use up unapplied annual thresholds to save the difference between your marginal tax rate and the superannuation contributions tax rate (e.g. 46.5%-15% = 31.5% tax saving).
  - General employees: $25,000.
  - Over 50: $50,000 (Note this is the last year for over 50's to contribute $50,000 following budget changes).

- Review contributions paid in 2012 contribution year and you should be aware of the contribution caps (unpaid cap amounts are not carried over to future financial years and excess contributions tax will apply on overpaid cap amounts).

37. Consider eligibility to make personal tax deductible contributions

- Where employment is less than 10% of total income you may qualify to make tax deductible personal (non-employment) contributions.

38. Consider making additional personal non-concessional (non-deductible/ assessable) contributions

- Consider contributing spare after tax cash to superannuation to thresholds (no tax deduction and no tax in the fund). Accrue future earnings at low tax rate of between 15% and 0%
  - $150,000 per annum; or
  - bring forward contributions for 3 years to a maximum one-off contribution of $450,000.
  - Watch further age based limits which apply.

39. Confirm you have not made "excess" superannuation contributions

- Contributions (concessional and non-concessional) that exceed the relevant thresholds can be subject to tax at top marginal rate or greater.

40. Consider borrowing to make superannuation contributions

- For business, borrowings to fund employee superannuation contributions will be tax deductible.

41. Review minimum annual pension (income stream) payments

- Take out minimum pensions for 2012 income year before 30 June 2012.

42. Government co-contribution

- Make an after-tax contribution into super to qualify for the government co-contribution. If your income for the financial year is below $31,920, you'll receive a $1 for $1 benefit up to $1,000 and the co-contribution will be phased out until income reaches $61,920 when it will disappear.

43. Split super contribution with your spouse

- If your spouse earns less than $13,800, make an after-tax contribution up to $3,000 and qualify for a maximum tax offset of $540.

44. SMSFs: Keep within in-house asset rules

- If your self-managed superannuation fund's in-house asset holding is more than the 5% limit on in-house assets, reduce it by 30 June 2012.

45. Commence your superannuation pension prior to 1 July 2012

- Consider commencing your pension in June 2012, no minimum pension payment is required until the next financial year.

46. Obtain market valuations of SMSF assets

- Evaluate whether it is appropriate to commission a market valuation of key assets such as real estate (the ATO requires these valuations to be conducted at least every 3 years).

47. Review insurance arrangements

- Review death and disability insurance arrangements for adequacy.
- If these policies are held outside superannuation, consider the benefits of moving.

48. Update investment strategy of your self-managed superannuation fund

- A superannuation fund is under a legal obligation to have an investment strategy. Failure to have an adequate investment strategy can result in a breach of the law and affect the tax status of the fund.

49. Consider superannuation reserving to protect volatility to members

- A reserving strategy involves applying superannuation profits to a general "reserve" as opposed to a member's accrued benefits. The reserve can serve, amongst other things, as a buffer to shield members against potential profit volatility.
- Investments and Capital Gain Tax

50. Defer capital gains

- For assets that are likely to generate a capital gain, consider deferring the disposal until after 30 June. Be mindful that the time of the disposal is the time of the making of the contract, not settlement.

51. Hold assets for >12 months before selling

- To obtain the CGT discount, you must hold the asset for more 12 months (measured from date of buy contract to sell contract).

52. Crystallise capital losses

- Reassess your capital assets and investment portfolio, if there are assets in an unrealised loss position; consider crystallising losses to offset capital gains or to carry forward to offset future gains.

53. No "wash sell"

- Do not sell an investment in June (e.g. 100 shares in Qantas) and repurchase the identical asset in July for the purposes of reducing tax. Genuine portfolio adjustments are OK.

54. Disposal of small business

- If you sold your business during the year, consider accessing the small business CGT concessions and contributing some of the proceeds to your superannuation fund. The contribution will not count towards your $150,000/ $450,000 non-concessional contribution limit (refer below).

55. Transfer commercial property

- Consider transferring commercial property into super and access to small business CGT concessions and stamp duty concessions in NSW. There may be potentially no CGT on sale and a cash release from the superannuation fund.

Trusts

56. Confirm that your trust deed complies with recent legislative and case law developments

- The income tax law and a series of recent cases have clarified the options available to trustees to distribute income. Make sure your trust deed accommodates these developments.

57. Conduct a trustee income distribution resolution meeting before 1 July

- Ensure your calendar reflects the meeting the trustee/s held to distribute income to beneficiaries.

Ensure an appropriate distribution resolution is passed. Failure to do this properly could result in the trustee being taxed at 46.5%.

58. Consider distributing franked dividends to resident beneficiaries

- Australian residents will be able to claim the franking credits attached. If their marginal tax rate is less than 30%, the credits are refundable.

59. Consider distributing interest income to non-resident beneficiaries

- Interest income distributed to non-resident beneficiaries attracts only a 10% withholding tax.

60. Consider distributing foreign income to non-resident beneficiaries

- Distribute foreign income to non-resident which potentially results in no Australian Tax Liability.

61. Distribute $416 to the minors under the age of 18

- You can distribute $416 tax free money to your child who is under 18 years of age for 2012 financial year.

62. Distribute $16,000 to the children aged over 18

- You can distribute up to $16,000 tax free money to your child who is over the age of 18 to utilise the tax free threshold and low income tax offset for 2012 financial year if they are full-time student and earning no other taxable income.

General businesses (if you carry on a business as a sole trader or through a company, trust, or partnership)

63. Consider timing of revenue recognition

- If you business revenue is assessable when invoiced, consider timing of invoice runs for post 1 July 2012.

64. Write-off bad debts

- Review and physically write off bad debt before 30 June 2012, either by writing-off in the books of accounts or passing a resolution of the decision to write off the debt.

65. Scrap obsolete trading stock

- Scrap obsolete trading stock prior to 30 June 2012.

66. Conduct year end stocktake

- The closing value of trading stock is included in the income of your business. It is therefore important to ensure an accurate count of trading stock is conducted to ensure that stock no longer in inventory is not accidentally included in year-end income.

67. Consider valuation of closing trading stock

- Trading stock may be valued at the lower of cost, market selling or replacement value. Examine which value produces the lowest closing trading stock value and maintain evidence of the basis for your valuation.

68. Prepay small business expenses

- Prepay business expenses under $1,000.
- Prepay the salary or wages.

69. Annual leave loading

- Ensure leave loading is paid prior to year end. Unpaid accrued leave loading is not tax deductible until paid.

70. Bonuses & directors fees

- Ensure employment contract contains a legal obligation to pay at 30 June 2012; or
- Pass a properly authorised resolution to show the legal commitment to pay. Cash payment is not required prior to year end to qualify.

71. Scrap obsolete or unwanted assets prior to year end

- The remaining undepreciated value becomes deductible.

72. Review effective lives

- Taxpayers may self-assess effective lives of plant to depreciate assets faster than the Commissioner's safe harbour rates if justified. This can accelerate depreciation deductions.

73. Pool low value assets

- Assets worth less than $1,000 can be allocated to a low value pool and access a flat 18.75% deprecation deduction even if the asset is acquired as late as 30 June 2012.

74. Pay owner superannuation contributions to obtain deduction

- Ensure the superannuation contributions ($25,000/ $50,000 refer above) are paidbefore 30 June 2012 to obtain a tax deduction.

75. Prepay June quarter SGC minimum contributions

- Make sure you pay June 2012 SGC payments before year end. While technically due on 28/7/2012 to meet the employer super guarantee obligations, bringing payment forward locks the deduction into the 2012 year.

76. Review Franking for credits

- For companies, consider paying a dividend either at 30 June or 1 July to release profits and franking credits to shareholders.

77. R & D tax offsets

- If you are an Australian company who have incurred at least $20,000 notional deductions on 'core R&D activities' or 'supporting R&D activities', you may be eligible to claim an R&D tax offset under the R&D tax incentive. Consider reviewing and assessing your eligibility under the new R&D tax incentive which is effective from 1 July 2011.
- A 45% refundable tax offset, equivalent to a deduction of 150%, will be available to eligible small companies with an annual aggregate turnover of less than $20 million. A 40% non-refundable tax offset will be available to companies with an annual aggregate turnover of $20 million or more – equivalent to a deduction of 133%.
- If your company is an R&D entity and you want to claim an R&D tax offset in your company's income tax return, you must first register your R&D activities with AusIndustry (who act on behalf of Innovation Australia)
- Then you can claim the R&D tax incentive in your income tax return. You must lodge the R&D tax incentive schedule with your company tax return.
- You must also keep specific records that demonstrate the relationships between your expenditure and your R&D activities.
- If you are going to pay someone to help you with your tax return or R&D tax incentive schedule, you should first make sure they are a registered tax agent as suggested by the Taxation office.

78. Review employee package and benefits

- Review employees' LAFHA benefit particularly Living-away-from-home allowance to make sure you are complying with changes for a contract entered after 8 May 2012.

79. New employee Payroll Tax Rebate

- Register new employees with the Office of State Revenue. You may be eligible for $4,000 rebate per new employee.

80. Purchase assets costing $300 or less

- Consider purchasing any assets less than $300 and get an immediate deduction.

81. Repairs and Maintenance

- Consider bringing forward repairs & maintenance.

82. Thin Capitalisation

- Undertake draft thin capitalisation calculations to determine if necessary to inject equity into company before year end.

83. Division 7A issues (Loans and payments from private companies to shareholders)

- Review your accounts leger and ensure there are no payments made to shareholders or their associates in the profit and loss statement for which an arm's length service was not provided (e.g. home extension charged to repairs and maintenance).

84. Lease vs. buy

- Consider leasing equipment/motor vehicles instead of buying, as the lease payments may be fully deductible while depreciation on land and buildings may be limited.

85. GST on hire purchase

- For those taxpayers on a cash basis, consider delaying the entering into of HP agreement until on or after 1/7/2012 to ensure they will be entitled to a full input tax credit.

86. Builders and contractors: beware the Personal Property Security Register

- Make sure to register your security interests over your tools, machinery, equipment and building material with Personal Property Security Register to ensure protection of ownership and rights.

87. Transfer pricing (International companies)

- Review the management fees charged between the entities, and ensure appropriate management fees are charged to the right entities.

88. New contractor tax reporting requirements for building and construction sector

- Beware that the new "Taxable Payments Report" will require building and construction sector operation to report on certain payments made to contracts from 1 July 2012.

89. June 2012 PAYG instalment

- Vary your June quarter PAYG instalment if you estimate the taxable income of your entity is substantially lower than last year.

90. Payroll Tax

- The threshold for payroll tax liability is assessed each year, so consider paying more wages/bonus to reduce taxable business profits if the current total wages are below the payroll tax threshold.

91. Evaluate applying for additional government assistance funding

- The NSW government has increased assistance to small business by 50%.
- Consider options to access this additional funding including matched funding of $20,000 for $20,000 of your own business funding for eligible activities.

92. Export market development grant

- Assess the eligibility for Export market development grant which may reimburse you up to 50% of eligible export promotion expenses above $10,000 provided that the total expenses are over $20,000.

93. Consider large proprietary company requirements under Corporations Law

- Ensure that you consider large proprietary company requirements which may require more sophisticated reporting and an audit for growing businesses.

94. Confirm any audit requirements for foreign owned companies

- Confirm any audit requirement based on foreign ownership or being large and actions related to confirming if any exemptions can apply or if they can take action pre 30 June to get within small company definition.

95. Tax Losses

- Be aware what is available to you and how you may use it.

96. Decision to consolidate

- For wholly-owned corporate groups, evaluate and consider forming a tax consolidated group to simply the tax administration work.

97. Model carbon tax impacts and examine methods to pass on costs

- Review supplier arrangements and determine likely cost increases/ opportunities for renegotiation.
- Review customer contracts and examine scope to increase prices and pass on costs.

98. Create a 2012/13 revenue and cash flow forecast

- Demonstrate that your business is prepared for the new year by creating a revenue and expense forecast for 2012/13 to determine likely trends and outcomes

99. Update and document your business plans for 2012/13

- Capture your objectives for the new financial year and beyond in a documented plan that you can use to share with stakeholders and to baseline performance.

100. Schedule performance reviews for key employees

- Schedule a formal meeting to provide performance feedback and set goals for the new year.

101. Update employment contracts and benefits for employees

- Ensure your employment contracts have been updated to protect your business with modern confidentiality and restraint clauses.
- Consider incorporating performance incentives that align performance to business objectives.
- Review packaged benefits to determine whether the after tax value of the package can be increased without increasing total cost to the employer.

102. Employee share schemes

- Consider the benefits of an employee share scheme including the ability to provide a $1,000 discount to employees tax free.

103. Assess the value of providing employee discount cards

- A low cost way of adding perceived value to an employment contract is the provision of an employee discount card. Evaluate whether this is worth implementing and announcing in conjunction with annual remuneration reviews.

104. Assess the value of providing an executive program for senior employees

- In reviewing packages for senior executives employees, evaluate the benefit of offering an “executive program” to assist them in the management of their financial affairs.

105. Look at outsourcing payroll and other admin functions

- June is a great time for businesses to consider relieving themselves of the burden of their payroll responsibilities, including general administration, leave management, SGC payments etc. you could also add a review of employee benefits, including corporate super, if it suits.

106. Review corporate superannuation plan

- The year end is a key point where employees will be assessing the performance of their corporate superannuation policy. Review policy performance.

107. Defer reorganising business assets until 1 July 2013

- The NSW government has again deferred the removal of stamp duty for the transfer of business assets. Re-evaluate current proposals and look at rephasing to post 30 June 2013
- “Small business entities” (turnover of less than $2 million)

108. Purchase assets costing $1,000 or less

- Consider purchasing any assets less than $1,000 and get an immediate deduction if you are using the simplified depreciation rules.

109. Defer plant and motor vehicle purchases to post 30 June 2012

- Form 1/7/2012, immediate write-off threshold increased from $1,000 to $6,500. So if you are thinking of purchasing a new asset valued within the range of $1,000 to $6,500, defer your purchase until after 1/7/2012.
- Also small business entities can claim an immediate deduction of $5,000 for motor vehicle if purchased after 1/7/2012.

110. Prepayments

- Prepaid expense (no value limit) are deductible, if you are a small business entity and incur an eligible prepaid expense for something to be done over a service period of less than 12 months, such as an annual licence fee for your computer software.

prosperity
wealth advisers

Sydney
Level 11
309 Kent Street
Sydney NSW 2000
T 02 8262 8700

Newcastle
2nd Floor
175 Scott Street
Newcastle NSW 2300
T 02 4907 7222

Brisbane
Level 22
333 Ann Street
Brisbane QLD 4000
T 07 3839 1755

www.prosperity.com.au