

SUPERANNUATION END OF FINANCIAL YEAR STRATEGIES AND TIPS



With the end of the financial year fast approaching there are some simple things you can do to make the most of your entitlements.

Superannuation remains one of the most effective ways to save for your retirement and there are a number of taxation benefits to be gained from investing in super. There are essentially two ways you can contribute funds into super; concessional and non-concessional contributions.

Concessional contributions are those pre-tax payments made to your super fund and include the compulsory 9.5% super guarantee paid by employers as well as any salary sacrificed amounts, and any personal contributions for which you can claim a tax deduction (such as those made by the self-employed).

Non-concessional contributions are those personal super contributions which are made from your after tax income and includes any contributions into your super fund from your spouse.

On 3 May 2016, the federal government announced an immediate cut to the non-concessional contributions cap, including a cessation of the

bring-forward rule. Australians are now subject to a lifetime non-concessional cap of \$500,000. Although this change has an immediate effect from 3 May 2016, it is still subject to legislation and subject to the Coalition winning the July 2016 Federal Election.

You may be able to boost your spouse's super and reduce your tax

If your partner is on a low income, working part-time or not at all, you may be able to make contributions into their superannuation fund and claim a tax offset.

Under the current rules, you may be able to claim an 18% tax offset on super contributions up to \$3,000 that you make on behalf of your low-income earning or non-working partner.

If your spouse receives \$10,800 or less in assessable income, then you are able to access the maximum tax offset of \$540 - providing an after-tax contribution of at least \$3,000 is made. The receiving spouse's assessable income plus reportable fringe benefits (RFB) plus reportable employer superannuation contributions (RESC) for the income year must be less than \$13,800. You can contribute more than \$3,000, but you won't receive the spouse contribution tax offset on amounts above \$3,000.

Take advantage of Government co-contributions

If your before-tax income is less than \$50,454 a year and you make after-tax contributions into super, you are eligible to receive contributions from the government. These payments are called the government co-contribution. If your before-tax income is less than \$35,454 the maximum government co-contribution is \$500 (which is based on 50c from the government for every \$1 you contribute). The level of co-contribution you are eligible to receive from the government reduces as your income rises.

Low income super contribution

If your adjusted taxable income is less than \$37,000 per annum you will receive a 'low income super contribution' of up to \$500. You will automatically receive this contribution from government regardless of whether or not you make any additional personal contributions into your super fund.

END OF FINANCIAL YEAR PLANNING FOR SMALL BUSINESS THAT MAY HELP IMPROVE YOUR FINANCIAL POSITION.



Review Your Capital Expenditure

If you have any upfront costs involved in purchasing fixed assets, these costs can be brought into this financial year thereby lowering income rather than taking the cost in the new financial year.

Check the instant write-off threshold as you may be able to write-off completely rather than depreciating. Faster write-offs can translate to cash flow benefits. Your tax bill could be reduced by bringing forward the deduction.

If you are thinking about buying or upgrading your equipment, doing it before 30 June might be a good option.

Purchase Business Assets or Equipment

If you buy tools, equipment or other assets for work-related purposes, you can claim a deduction for some or all of the cost depending on the business use percentage. For instance, if you will purchase a computer that is 50% for your business and the balance is for personal use, you are only eligible to receive 50% of the tax deduction.

Assets up to \$20,000 for small business entities

With the \$20,000 Budget tax deduction proposal, small businesses (with aggregate annual turnover of less than \$2 million) would be able to immediately write off new or second hand assets worth less than \$20,000.

For small businesses that purchase assets more than \$20,000, these will be claimed under the small business simplified depreciation pools where

depreciation starts at 15% in the first income year and 30% thereafter. An immediate tax deduction will apply when the pooled assets (including existing pools) reached less than \$20,000 in value.

Rental Property Investment Loans

It's Time to COUNT your stock! This includes Livestock.

Small business entities

You are required to undertake a stocktake as close as possible to the end of the financial year. The Small business concessions allow you to estimate the value of your trading stock at the end of the financial year to report in your tax return. You will need to record how you estimated the value of your stock, but you don't need to notify us that you have chosen to use an estimate.

You can choose not to conduct a stocktake (and account for changes in the value of your trading stock) if there is a difference of \$5000 or less between:

- the value of your stock at the start of the income year.
- a reasonable estimate of the value of your stock at the end of the year.

If you choose not to use an estimate, you will need to conduct a stocktake and account for the changes in the value of your stock.

Valuing Livestock

It is important that you count your livestock at the end of the financial year and account for the following:

1. Opening number of Stock at the beginning of the year (1st July) *plus*
2. Purchases - of stock during the year *plus*
3. Natural increase in Livestock *Less*
4. Sales - of stock during the year *Less*
5. 5. Deaths

Gives you the number of livestock held at the end of the year. (30th June)

Prepay Expenses

If your cash flow allows it, you may wish to pay for expenses before 30 June, which may not be due until the next year. I.e. membership's subscriptions, rent, interest (but not the loan payment), lease payments, business travel, etc.

Considering your cash flow before incurring any expense is a smarter way to get tax deductions without putting other financial obligations at stake.

MARKETING AGENCY TURNS TO XERO CLOUD ACCOUNTING TO GAIN CONTROL



Mary runs a small digital marketing agency with a small team. As the business started to grow, Mary had neglected the financial aspect of her business and found that although sales were increasing, profitability was not.

At her year-end accounts sign-off meeting, it was clear from a discussion around a three-year business performance review for Mary's operations that she was making bad decisions around pricing because she did not have access to meaningful numbers to help her with those decisions. As a result of that discussion, Mary agreed to move onto XERO a cloud accounting solution. Once set up and configured, she was then able to quickly reconcile all of her bank transactions every morning, see what was in the bank and what was due to come in and go out and also track important gross profit margins for her main products and services. In turn, we are

able to keep an eye on those numbers with our accountants' access to the live accounting file and be alerted when anything goes off track so that we can send Mary a note if need be.

Mary now feels in control of her business and as a result of having timely and accurate information, she has been able to adjust prices so that she makes the margins she needs to achieve her profitability goals. Interestingly, as a result of increasing her prices, her team has become even more focused on creating value for clients, resulting in a true win-win situation.

If you feel moving to a cloud accounting solution could be helpful for your business, contact us at mail@weareaccountable.com.au and we'll be in touch to discuss how we can help.

CONSTRUCTION BUSINESS BENEFITS FROM UNDERSTANDING THE NUMBERS



Stephen runs a construction business which has been established for 25 years and has grown significantly over that time. Unfortunately, profit margins are very slim and last year, Stephen's business barely broke even and he was unable to draw his usual dividend at the year end.

Pat Hoey from Account(able) proposed a half-day session focused on the key numbers in the business. Together, they put together a plan to increase revenue by 50% over the next three years without increasing the cost base significantly. The starting point for that plan was to uncover inefficiencies in the business's processes to shave significant time off the average build, enabling Stephen and his team to do more with less. As the plan was implemented, profitability increased along with revenue.

Pat also got him focused on his receivables. It transpired that on average, it was taking customers 90 days to pay despite agreed terms of 45 days. By crunching the numbers, it became apparent that even a reduction to 60 days with no increase in revenue would improve the cash position significantly, allowing Stephen to take his long-suffering wife on that world cruise he had promised her for the past 10 years.

All in all, a great outcome from a simple planning meeting. If you are frustrated with your revenue, profitability or cash flow, contact us today and we'll be in touch to discuss how we can help.

PRE 30 JUNE TAX MINIMISATION TIPS



- Superannuation Contributions - Pay money into your Super Fund. (Must be received by the 30 June)
- Delay Invoicing - If cash flow allows defer your invoicing until after the 30 June
- Prepay Expenses
- Purchase new business assets
- Perform any Repairs and Maintenance
- Write off old / obsolete stock
- Review Debtors and write off bad debts
- Complete a logbook for any motor vehicles you use majority for work (not home-work, unless carrying 20Kg of tools)

REMINDERS FOR YOUR DIARY

JUNE

- 21** Monthly Activity Statement for May 2016
- 28** Superannuation payable for May 2016
- 30** End of Financial Year 2014/15

JULY

- 14** Issue Employee Group Certificates
- 21** Monthly Activity Statement for June 2016
- 28** Superannuation payable for June 2016
- 28** April-June Quarter 2015/16
(28 August if lodged by your Accountant)