

Year-end tax planning for Small Business Entity (SBE) under \$2 million turnover

Accelerating expenditure checklist

- **Maximize depreciation deduction**

An immediate deduction can be claimed for most assets each costing less than \$6,500 from 2013 onwards. Where appropriate SBE should consider purchasing these items by 30th June.

- **Accrued salary expense**

The gross salary amount that is payable to an employee for the number of days worked up to 30th June (but not yet paid) can be claimed as a tax deduction

- **Staff bonus**

Where a business is definitely committed to the payment of a staff bonus as at 30th June, it can be claimed as a tax deduction

- **Directors fees**

A company can claim a deduction for director's fees if it is definitely committed to paying it at 30th June. The ATO will expect a properly authorised shareholders resolution to be passed by 30th June in which the company commits to paying the directors fees

- **Superannuation contributions**

A deduction can be claim for superannuation contributions in the year the contribution is *actually made* to the fund. A contribution that is paid to a trustee of a fund in the form of a cheque is generally regarded as being "made" when the trustee receives the cheque

- **Accrued interest**

Any accrued interest owing on a business loan that has not been paid as at 30th June may be claimed as a deduction

Prepayment less \$1,000 (GST exclusive) not exceeding 12 months (SBE)

Consider prepaying rent on business premises, car registration, booking and paying for business trip, seminar, training courses that will take place after 30th June

Reducing the value of closing stock on hand

- **Valuing closing stock on hand**

Closing stock can be valued either at cost, market selling value, or replacement value. Consider adopting the valuation method which produces the *lowest* closing stock value at 30th June

- **Obsolete stock**

Closing trading stock can be valued at less than its cost , market selling value or replacement value where it is obsolete or special circumstances exist which have affected its value

Deferring income received in advance (SBE)

For those who account for their income on an **accrual**-basis, they may be entitled to defer income received in advance under the Arthur Murray principle, provided that the following factors are met:

- There is a refund policy (whether enforceable or not) and the prepared income is separately recorded in the balance sheet
- Examples of services to which this may apply includes: accounting and legal firms, music lessons, tuitions, driving lessons where fees are paid in advance