



MARK NEAVERSON
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JUNE 2010 TAX STRATEGY FOR SMALL BUSINESS

Small business entities are entitled to several tax concessions.

To qualify as a small business entity, a business and any related entities must have an annual turnover of less than two million dollars (\$2,000,000) exclusive of GST.

Major Tax Concessions for Small Business Entities

- An immediate tax deduction for assets purchased for less than \$1,000 (GST Exclusive);
- Assets costing more than \$1,000 can be pooled and claimed at 15% for the 2010 year and 30% in subsequent years, when the effective life of the asset is less than 25 years;
- The small business may be entitled to a tax offset;
- An immediate tax deduction for certain prepaid expenses, where the payment covers a period of 12 months or less and ends before June 2011. Examples of the type of expenses that this may apply to include insurance, business travel, lease payments, rent, interest, printing, stationary & subscriptions.

Tax Planning for All Businesses (whether or not they are a small business entity)

- An immediate deduction can be claimed for the prepayment of salaries and wages, bonuses and commissions;
- An immediate deduction can be claimed for prepayment of expenses paid to government. For example car registration, green slips, work cover premiums and statutory licenses;
- If you account for your business transactions on a cash basis, defer receiving income until after the 1st July 2010;
- If you account for your business transactions on an accrual basis, defer issuing your invoices until after the 1st July 2010;
- Review your asset register for assets that are no longer working. These assets can be written off;
- Review your debtors' ledger (customers that owe you money) for debts that are bad. If you can prove that you have made a genuine attempt to recover the money and there is no likely hood of being paid the debt may be written off as bad. This would only be deductible where the business accounts for its transactions on an accrual basis. It is best to record the decision in writing. This could be in the minutes of a board meeting if the entity trades as a company;
- Review your stock ledgers at the 30th June 2010 and determine if you have any stock that is obsolete. Businesses have the option of valuing stock at lower than actual cost, replacement cost or market selling value;
- Make tax deductible contributions for employees to complying superannuation funds. The cap is \$25,000 for employees aged below 50 at the 30th June 2010 and \$50,000 for employees aged 50 or over at the 30th June 2010. Contributions made under the Superannuation Guarantee Legislation are included in the caps. If a super fund receives an employer contribution over the cap the excess is taxed at 46.5%.

JUNE 2010 TAX STRATEGY FOR SMALL BUSINESS cont.

Realizing a Capital Gain or Loss on the Sale of an Asset

A capital gain or loss evolves when a taxpayer sells an asset, which is not exempt from capital gains tax. Generally speaking when an asset is sold for more than the original cost price or deemed cost price, a capital gain occurs. If a taxpayer is considering selling a capital gains tax asset the sale should be delayed until after the 30th June if it possible. This will delay the tax on the gain for a further 12 to 18 months.

Loans to Shareholders or Associates of Shareholders at the 30th June 2010

Where a shareholder, or an associate of the shareholder, has borrowed funds from their company and had a debit loan balance at the 30th June 2009, the loan must be repaid prior to the lodging of the company tax return for the year ending 30th June 2009. If the debit balance is not repaid at the time of lodging the return or a loan agreement has not been executed in accordance with strict ATO guidelines, the amount of the loan may be deemed as an unfranked dividend and taxed at the shareholders marginal rate of tax. In the May 2009 budget the net for this legislation was increased to include the private use of company assets by employees without the employee paying a market rental to the company.

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