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Another 15 tax tips from the experts

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Last week *SmartCompany* compiled a panel of experts to bring you 15 tax tips from industry experts – but that hardly seems enough to cover all you need to know.

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Here are another 15 tips on how to maximise your end of financial year position.

Remember to depreciate

This is perhaps the most common tool entrepreneurs use to claim tax relief – deprecation. Many big-ticket assets may be subject to depreciation, and could give you a significant tax boost. For now, most depreciating assets costing less than $1,000 can be written off immediately.

Our experts say you need to keep a record through the year of what will be eligible for depreciation, and then organise it all before you submit returns.

However, there is one aspect of depreciation you may not be aware of – while the ATO provides its own depreciation schedules, there is some room to use your own. But our experts say you need strong grounds to do so, so check with your accountant.

Trusts

Much has been made of the Government's recent crackdown on trusts, and the experts say entrepreneurs need to be aware this is the final year in which you can distribute income tax-effectively to children.

The Government argues that although the increase in the low-income-tax-offset over the past 10 years has delivered some help to low-paid workers, it has also resulted in some high-income earners avoiding tax.

But there is another aspect of the trust system entrepreneurs should be aware of. Tristan Webb says the recent Bamford High Court decision means the way some trust deeds are written may require some updates.

"Trusts can stream income to beneficiaries, and it will retain its tax character in the hand of those beneficiaries. But what this case highlights is that many people haven't checked their deeds to see if they can actually do this," Webb says.

"Deeds have to have a specific streaming clause and an income clause that will allow it to stream capital gains to beneficiaries."

Webb says trust members need to review their documents and ensure they have appropriate clauses. "Many wrote them in the 70s and they haven't been updated at all," he says.

Deduct investment property expenses

Manage an investment property? There are plenty of forms and other documents you need to get together ahead of June 30, and you don't want to miss out on any of them and risk paying some extra tax.

Bank statements, receipts, income summaries, depreciation schedules, valuation reports and an income summary report from property managers are just some of the documents you'll need. Check with your tax agent, and make sure you don't miss out on a single form.

...and don't forget rental properties

There are also deductions you can claim if you're renting out a property. Some of these include:

- Accounting fees
- Borrowing expenses
- Bad debts
- Agents' fees
- Gardening
- Insurance
- Mortgage Insurance
- Postage
- Cleaning

And there are more: you should also be aware that for buildings constructed after 1982, there is a 2.5% straight line deduction for work such as structural improvements.

Depreciation can also be forgotten, so check with your tax agent to determine which rental deductions apply to you – you may be eligible for some you're currently unaware of.

Prepay income insurance, get a deduction

Another tax break many entrepreneurs forget is the benefit of income protection insurance. If business owners purchase income protection before the end of the financial year, business owners can actually claim it back in the same year's tax return.

The other benefit of this is if you pay in advance, you'll receive a tax deduction – and the same goes for workers' compensation insurance as well.

Delay invoices into next financial year

If you've got some invoices you're planning on sending out – don't.

Our panel says your tax burden may increase if you send some invoices out and don't receive payment by the end of the year.

"Hold back on initiating invoices," Webb says. "When you send them out you're deemed to have derived your income at that point."

"Some businesses are taxed on a cash basis, but most are on an accruals basis. So if you issue the invoice just before the end of the year, you pay tax on that even though you haven't receive the cash yet. You're better off just waiting."

Consider some redundancies

It may be an upsetting topic, but if your company needs to make some redundancies before the next financial year, now is the time to do it. Sharon Burke says your company may receive some tax relief for doing so.

"This is something else that some businesses may want to look at in certain circumstances. It's a little less happy, but if you look around your company and are able to make some people redundant, it is deductable in the year in which the redundancies were made."

Contribute super to a spouse's account

There are plenty of superannuation tips to remember, but a key one is you can receive benefits for making contributions to your spouse's account.

Mercer financial adviser Michelle Smith says you can be eligible for a tax refund of $540 for making contributions of at least $3,000 on behalf of your spouse.

"This is an effective strategy to get more into your spouse's super fund if they're working part-time, for instance, as it offsets any tax."

"But it only applies if your spouse is earning less than $10,800 per year, or earning a maximum of $13,800 per year before the tax offset shades out."

Sold or bought a business? Beware of the tax

If you've sold or bought a business in the past year, then you need to be aware of some tax obligations you may have. Selling can trigger some capital gains implications, while entrepreneurs should also be aware of some small business tax concessions – as long as they are under the $2 million turnover threshold.

Pay superannuation on time

Tax advisors are always telling entrepreneurs to make sure they maximise the amount they pay into their super accounts – but did you know you can get some benefits for paying your employees early?

While the June quarter super payments are due by the end of July, if you have them paid by the end of June you can actually claim a deduction. This is a simple tip, but one many businesses often forget.

Claim the investment allowance

Remember the investment allowance? It seems such a long time ago, but it wasn't that many years ago the Government introduced the small business and general business tax break to boost investment amid the global financial crisis.

While the economy has seen the worst of the GFC, the tax break remains – but not for long. The 2010-11 year is the last year in which businesses can claim the investment allowance.

The tax break allows SMEs with revenue of under $2 million to receive deductions for equipment worth over $1,000.

But there is a catch, and a significant one: you need to have actually bought the equipment between December 2008 and December 2009, and have that equipment installed by the end of December 2010.

These experts say you need proof that it has been installed, so have documentation.

Compile your medical receipts

This can often be an overlooked tax break, but if you've had any medical work done, remember to put it in your return. If not, H&R regional director Frank Bass says you could be missing out.

"If you or your family members need to have some medical work or procedure done it is worthwhile trying to consolidate them into one financial year as you are entitled to a rebate of 20 cents in the dollar for every dollar spent over $2,000."

Deduct your home office expenses

Plenty of entrepreneurs would be using their own home offices to get work done while they're at home. But many would forget – or may simply be too overwhelmed – to think about claiming this on their tax.

Experts say this is a mistake. Calculate everything you can: computers, stationery, software, books and any other items that can contribute to your work. If you record each of this you can receive some significant savings on your tax.

But there's one thing you need to keep in mind: you can't just deduct all these altogether. You need to determine how often you've used each item for both business and personal use, and then submit that to the Tax Office. Don't just assume you can write off an entire computer because it's at home; carefully calculate the actual private usage.

Get your software in order

This is perhaps one of the most overlooked aspects of the end of financial year season, and one that doesn't actually deliver any immediate tax benefit. But these experts say you should be getting your computer programs in order for the year ahead.

Payroll software needs to be up-to-date, employee records need to be reviewed and payment summaries need to be out by July 14 at the very latest – they should be sent by email if you want to save on paper as well.

Attache Software managing director Mike Rich says preparation is the key when dealing with end-of-financial-year software obligations, warning that "one of the most troublesome aspects for many companies occurs with the final payroll processing for the financial year".

This won't give you an immediate tax benefit, but will save you plenty of trouble in the long run.

If you have any young children then no doubt you've spent money on them for school – and you can claim some tax on it.

"If you receive family tax benefits gather up all your kids' self-education expenses receipts as you can claim the education tax offset in your tax return," Frank Bass says.

For the 2010-11 year refunds can be as much for $397 for primary school-aged children and up to $794 for secondary school children.