



Financial matters

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It's tax time – again!

Seven tax tips to help you reduce your tax burden and increase your cash flow.

It's hard to believe that we're almost at the end of another financial year. In the face of rising interest rates and the continuing instability in many overseas countries, legitimately reducing your tax burden not only makes great financial sense but it is also an easy way to improve your cash flow. After all, you work hard for your money so why 'give' it away by paying more tax than what you need to.

Given the financial year-end it's worthwhile remembering a few basic tax tips:

1. Make sure you've got those receipts

Make sure you have receipts for the expenditure you intend to claim as a deduction. This is the first thing the ATO will ask for in an audit. And remember, if the use is partially private and partially business – you can only claim the business portion.

2. Work related expenses

Once again this year, you can bet that the ATO's compliance program will have work related deductions as part of its focus. Part of the monitoring technique used by the ATO is comparing your claims against industry averages. Remember you can claim up to \$300 of work related expenses without receipts, provided the claim relates to expenses that were necessarily incurred in your business or for your job.

3. Dividends and interest

The ATO's data matching service will match the interest from bank accounts and dividends paid by companies to your return. Remember to include the imputation credits from dividends both as income and as a tax credit. And you must retain the dividend and bank statements as supporting documentation in case you are audited.

4. Deferring income and bringing forward expenses

Some tax rates may decrease during the 2010/2011 tax year, so it makes sense to defer income to the next financial year and bring forward any expenses you might have to the 2009/2010 financial year.

By deferring income to the 2010/2011 year, you will be taxed at a lower rate and at a later time. In the same way, by bringing forward deductions into this financial year, you will have a greater after tax benefit at an earlier date.

5. Depreciation

Go through your depreciation schedule and scrap any items that are obsolete. Make sure you are using the highest depreciation rate available for the asset. Consider the use of a low value pool, which has substantially higher depreciation rates for items with a value of less than \$1,000. The low value pool allows depreciation for new items at 18.75% in the first year, and 30% in the second and subsequent years.

6. Deductions for employee superannuation contributions

In order to claim a deduction for the June 2010 contributions you pay for your staff, the amount must be paid by 30 June. Even if you do not know the final amount owed for the month, I encourage clients, where their cash flow permits, to project the likely amount and pay this to the superannuation fund prior to the end of June and claim the deduction in this financial year.

After all, it is a legal obligation that you must pay, so it is sensible to pay it before year end.

7. Other superannuation strategies

Remember, for those of you who salary sacrifice superannuation or for the self employed, the contribution to a complying super fund will be taxed in the superfund at 15%. If you are under 50 years of age, you will be able to contribute up to \$25,000 or \$50,000 for those over 50. Super is one of the most tax effective methods of saving on tax!

In passing, make sure you consider all the above tips in light of the federal government budget handed down in May 2010, which may well change some of the deductions we have talked about above.

And as I always say – it often pays to see a tax agent to talk about your tax strategies and to prepare your return. The cost of this service is often paid for in the savings they can find through advising of some simple year-end tax planning. In addition, if they have prepared your return, they are often able to sort out any questions that come from the ATO about your return with minimum of fuss.

For more information, contact MGI Brisbane on (07) 3002 4800 or email info@mgibris.com.au.

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