

2012 Year End Planning Guide

We are pleased to provide our 2012 tax planning guide. Outlined in the following pages are a number of suggestions that may assist business and individual tax payers to legitimately minimise or defer their taxation

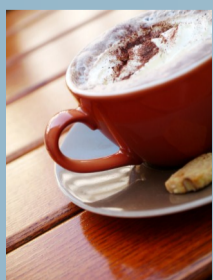
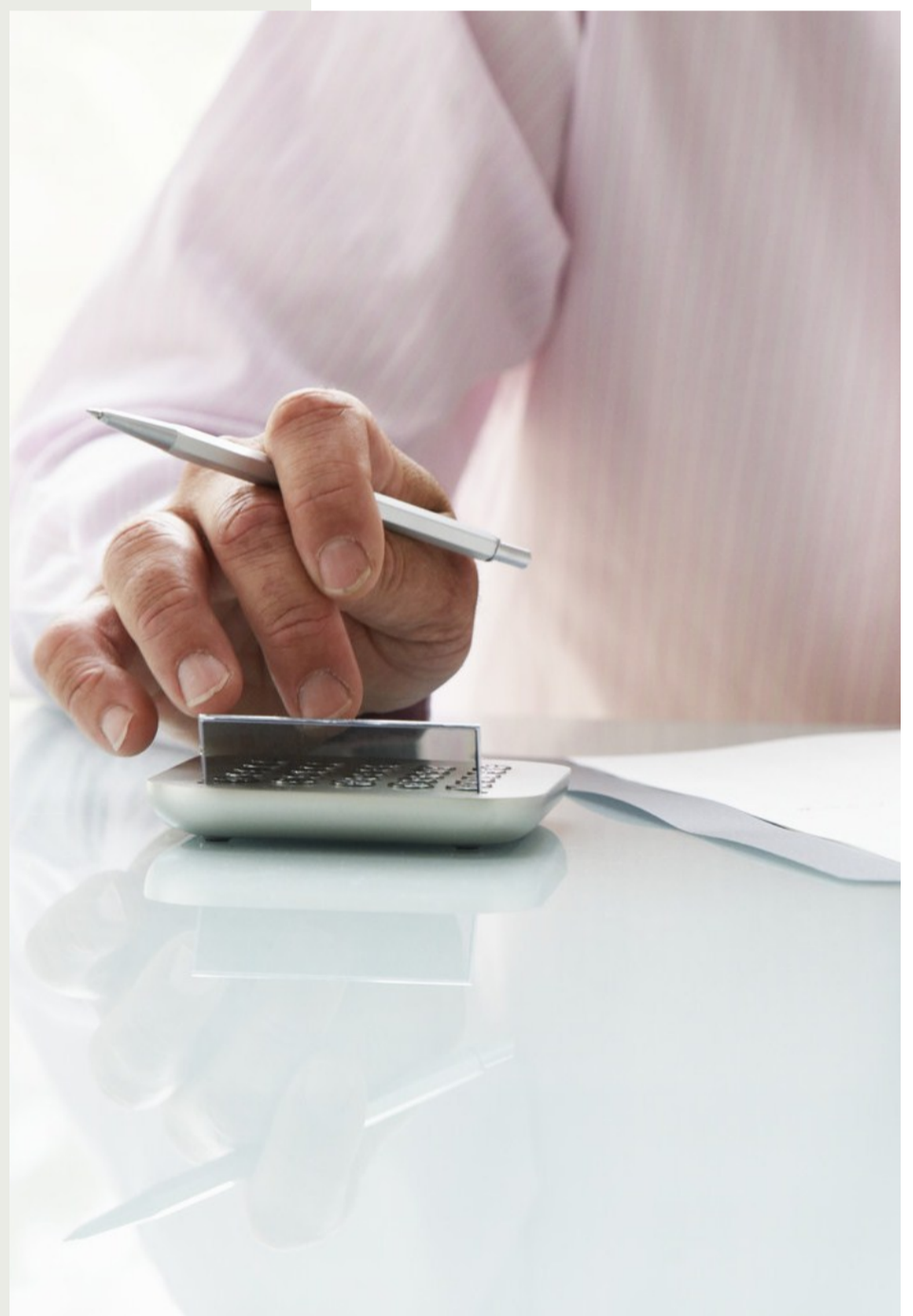
Tax Planning is an important part of your financial, business and wealth creation strategies. However, it's always important to consider the commerciality of your planning and whether overall it is consistent with your business strategy and wealth creation goals.

Decisions made solely on tax grounds generally are decisions that result in a less than satisfactory outcome. But remember you have worked hard for your money and there is nothing wrong with implementing some strategies that result in a better outcome for yourself.

IN THIS ISSUE

We look at helping you prepare for the 2012 end of financial year.

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***Conditions apply, operates July to October. One per Month.**



2012 Year End Planning Guide

General

Review Trading Results

While business owners should be reviewing their year to year performance regularly, if this hasn't occurred, now is the time to be doing it. Knowing your potential tax position prior to 30th June means that you can do something about reducing it or ensure that you have a plan to enable the tax to be paid when it is due, without any unpleasant surprises. Once year end passes there is very little you can do to have an impact on your tax position.

Review Business Structure

Ensure that the business structure that you operate through is still appropriate. Understand the pro's and con's of the structure you are in.

Deferral of Income

If cash flow and business reality allows, defer the derivation and receipt of income until the next financial year. Conversely if you have losses, you may wish to bring forward the derivation of income, if possible.

Income Received In Advance

Consider whether income received is actually derived. Income received in advance may not be derived until the services are provided. Conversely income such as interest, royalties, rent and dividends are usually derived upon receipt.

Bad Debts

Review your debtors and if any are unlikely to be recovered, physically write them off as bad before the end of the year.

Trading Stock

Prepare for a stock take on 30 June. Identify any obsolete stock and scrap it or write it down to its correct market value. Individual items of trading stock can be valued at cost, market value, or replacement value for tax purposes. The tax value may differ to the accounting value.

Depreciation

Review your asset register and scrap any obsolete items before 30 June. If you will be selling any items of plant that will realise a profit on sale, consider delaying the sale until after 30 June.

Superannuation

Ensure that superannuation contributions have been paid to the superannuation fund by 30 June to ensure a deduction this year. Remember that employee's superannuation entitlements must be paid to the superannuation fund by 28th day of the month following each quarter to avoid Superannuation Guarantee Charge (SGC) implications (including penalties and loss of deduction).

The maximum concessional superannuation contribution for individuals is **\$25,000**, or **\$50,000** for people aged **50** or more at 30 June 2012.

Small Business Entities

Small Business Entities (Aggregated turnover of **<\$2 Million**) can access concessional rules which make calculating tax simpler. In addition to the small business CGT rules (shown later), small business entities can choose simpler depreciation and trading stock rules, can immediately deduct prepaid expenses and have simpler GST and FBT rules, some expenses can be prepaid up to 12 months in advance and receive an up front tax deduction on these prepayments.

Turn Your Car Into a Lean Mean Tax Machine

Hold off on buying a motor vehicle until 1st July 2012 and you can officially turn that work vehicle into a lean mean tax deduction machine. That's because in the next financial year, small businesses will be able to claim up to



\$5,000.00 as an immediate deduction for buying a new or used motor vehicle. The rest of the value of the vehicle can be pooled in the general small business pool—depreciated at 15 per cent in the first year, then 30 per cent thereafter.

Why not defer that equipment purchase

Small Businesses may be eligible for an immediate write off of depreciating assets costing less than \$6,500 where assets are held after 30 June 2012.

Personal Resident Tax Rates For 2012

Taxable Income	\$ Tax Payable
0 — 6,000	nil
6,001 — 37,000	nil + 15% excess over 6,000
37,001 — 80,000	4,650 + 30% excess over 37,000
80,001 — 180,000	17,550 + 37% excess over 80,000
180,001 +	54,550 + 45% excess over 180,000

* These rates do not include the medicare levy of 1.5%

Prepayments

The ability to prepay up to 12 months of expenses in advance and claim a tax deduction for the payment eg. if your Self Managed Superannuation Fund owns your business property premises, you could prepay up to 12 months rent in advance. Other prepayments can include interest, insurance repairs amongst other expenses.

Bonuses

Bonuses are only deductible when they are actually incurred e.g. at 30 June the business must be committed to paying them and they are not subject to any discretion.

Company Loans – Division 7A

Any payments, loans or debts forgiven from private companies to shareholders and their associates could be deemed to be an unfranked dividend, the deemed dividend rules in Division 7A can also include loans from trusts to shareholders where the company is presently entitled to income from the trust.

Ensure that such loans are either repaid or documented and made subject to minimum interest and repayment terms before the lodgement day of the company's / trust's tax return. Ensure that interest is charged and minimum repayments are made before 30 June in relation to prior year loans.

Trust Distributions

Trustees of discretionary trusts need to consider which beneficiaries they will make presently entitled to the income or capital of the trusts on or before 30 June. We have recommend that all our trust clients have their trusts deeds reviewed to ensure they are up to date and retain sufficient flexibility to distribute income and capital in an efficient manner.

If the trust deed allows, when distributing income and capital, consider which entities will be best able to utilise the different types of income to lower the overall marginal tax rate of the group (e.g. individuals – discounted capital gains; companies or low income individuals – fully franked dividends).

Other

Individuals

In addition to the above planning suggestions, further strategies may be available for individuals with business or non business income. The personal tax rates will again change for the 2012/13 year onwards.

Capital Gains Tax (CGT)

Have the assets sold been held for more than 12 months? If so the general 50% CGT discount may apply.

Do you qualify for the small business CGT concessions? They are available for small business entities and business taxpayers with net assets of <\$6M. If available, the taxpayer may be able to access:

- 15 year exemption
- 50% active asset discount
- Retirement exemption
- Active asset roll-over

If you have realised capital gains during the year, consider crystallising assets that have underlying capital losses before 30 June.

Non – Commercial Losses

Your income for non-commercial loss purposes must be less than \$250,000. Losses of a business carried on by an individual or partnership may be required to be quarantined until future years against income of that of a similar / related business. The exceptions are:

- If there is assessable income from the business of >\$20,000;
- Profit in 3 out of the last 5 years;
- Real property of \$500,000 or more used in the business;
- Other assets of \$100,000 or more are used in the business;
- Commissioner's discretion is exercised in relation to that business.

In addition to the above, taxpayers with adjusted taxable incomes above \$250,000 has additional loss quarantining rules even where the above conditions are satisfied.

Salary Packaging

Now is the ideal time to review your salary packaging. With personal tax rates being reduced, salary packaging may not be as effective for people with salaries below \$180,000. However, tax savings can still be achieved with certain exempt and concessional taxed benefits.

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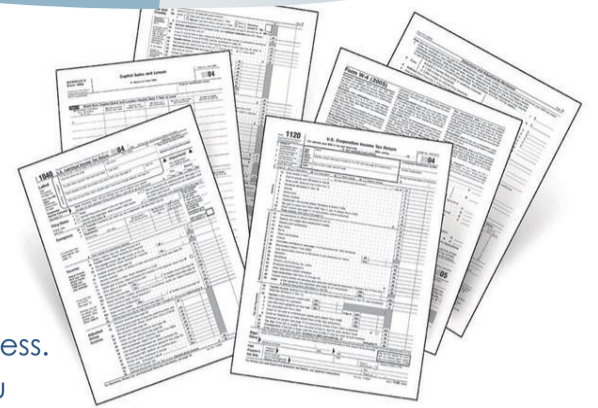
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