

Tax Planning – where are the REAL benefits?

As ATO and the government continue to tighten the tax rules, Tax planning becomes an imperative. Now that is close to financial year end some issues should be examined in the light of performance of the last 11 months.

Clever Tax planning is a continuous exercise and not just at year end. This helps manage tax affairs and respond to tax law & administrative changes by ATO.

Some tax planning only creates **timing** benefits rather than real savings. So the question is; what delivers real results?

The majority of tax planning falls into one of three categories - health and hygiene decisions that every business should review each year, timing benefits, and permanent savings.

The timing benefits do exactly that. They create tax savings that should ultimately materialise over the life of the business but **they bring them forward**.

Typically, these are triggered by either **deferring income** or by **bringing forward expenditure**. This income or expenditure would have fallen in a later year causing the tax impact to also fall into that later year. Your actions change that and bring the tax benefit into the current year.

As a simple example, *declaring bonuses* prior to the end of June 30. The declaration of the bonus prior to June 30 means that your company is committed and liable to the payment of the bonus, albeit that payment will not be made until after June 30. In this case you are able to take up the deduction in the 2011 year whereas if you did not declare the bonus and simply pay it in say July 2011 then the tax deduction would fall into the 2012 year.

In either case you will be eligible for the tax deduction; you simply have the ability to bring forward the timing. Doing this has **no impact on the recipient of the bonus**. They will only declare it in the year of receipt.

Subject to any differential tax rates that could apply to the tax saving between years, it normally makes sense to take advantage of the tax benefit at the earliest possible opportunity.

- **It saves you cash,**
- **gives you the time value of the tax saved and**
- **the immediacy of the benefit creates greater certainty for you.**

Where you operate through an entity structure such as a company, if you have any years where you incur tax losses for the year, those losses are quarantined in the company and you will have to wait until a future year where profits are made to recoup those losses. If your business is always profitable this is less of an issue.

However, there are plenty of businesses who have made profits in previous years but then find themselves in one or more loss years. Taking advantage of timing benefits for tax normally makes good sense.

And, there are a lot of opportunities to take advantage of those timing benefits. Sometimes the action of one day can make the difference of a year in when the tax is paid.

Talk to us before June 30 and we can outline all of the opportunities in your business for tax timing benefits. Once you have this information, you can make the decisions on what you want to do.

Avoid delays - Lodge early – Tax Refunds Sooner

Most property investors are negatively geared. This means that where they have not requested a variation of their PAYG deduction from their employer, they get refunds on lodging their tax returns at the end of the financial year.

ATO is now processing lodgement of returns very fast, particularly where there is a refund and the refund is being deposited electronically into the taxpayer's bank account. Some refund assessments are issuing within 7 working days.

Tax Tip - To get refunds lodge your tax return soon. **Property Tax Specialists** can help facilitate the process and minimise time and cost with their checklists and templates. Contact Shukri on Shukri@propertytaxspecialists.com.au

Help available

To make the compilation & reporting task for tax returns easier, clients of **Property Tax Specialists** received checklists and templates to facilitate the process ... **saving them time and money** ... the 'write' way is having clear **documentation**. ATO way means time/money wastage with possible audit investigation.

If you need help contact Shukri Barbara at Property Tax Specialists at Shukri@propertytaxspecialists.com.au

We look forward to being of Service – helping you towards Prosperity & Peace of Mind

Please do not hesitate to contact us if you would like to review & discuss your current property & tax situation, your asset protection strategy, structuring your next investment property, planning to legally minimise your tax position or just to prepare your next tax return.

We look forward to being of service. We also look forward to your referrals.

To improve our service we welcome all constructive comments on this newsletter and other materials.

For help contact **Shukri Barbara** at Property Tax Specialists at Shukri@propertytaxspecialists.com.au

Disclaimer

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.

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Kind Regards
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