



PACIFIC
ACCOUNTING

Books&Wages – Business Advisors

END OF FINANCIAL YEAR NEWSLETTER

If you have any question about the following,
please call us at [1800 1800 98](tel:1800180098)

As we approach the end of financial year, it is now a critical time for small business to take time out to get your financial affairs in order. Have you spoken to your accountant on planning for June 30? What do we need from you? And how can you take advantage of tax minimization strategies?

Successful, tax-efficient financial planning is a continual process throughout the year. Are you ready for 2022FY? Now is the time to reflect on your current position and plan for the future. Now is the time to focus on growth, planning and success for 2022!

Pay out Director's Loans / Accounts

You may consider repaying any Director or shareholder loan accounts. Otherwise they will be treated as a dividend for income tax purposes under Division 7A; even if the participants treat it as some other form of transaction such as a loan, advance, gift or writing off a debt.

Write Off Bad Debts

You may be able to claim a deduction for income that cannot be recovered from a customer or debtor. This unrecoverable income is also known as a 'bad debt'. Writing off bad debts may allow you to claim a GST refund depending on your GST reporting method (cash or accrual). There is certain criteria that define bad debt and several steps to be taken before it can be written off. Please discuss these with your accountant.

Before taking the steps to writing off a debt, consider offering the client a discount if they pay before 30 June.

Manage Your Deductions

There's still time to consider whether you need new office equipment, tools/machinery or any other fixed asset for the coming year? This needs to be paid for before the 30th June.

The new **Temporary Full Expensing** rule should also be considered. This allows an immediate deduction for 100% of the cost of eligible depreciating of assets. The eligible new assets must be first held, first used or installed ready for use for a taxable purpose, between 6 October 2020 and 30 June 2022. Businesses can claim the deduction when lodging their 2021 or 2022 tax return.

You can also claim deductions if you **prepay** certain expenses, such as professional subscriptions, electricity, rent, wages, insurance and utilities.

Meet your Superannuation Obligations

Meeting your superannuation guarantee obligations by 30 June 2021, will allow you to claim a tax deduction in your 2021 income tax return rather than having to wait until the following year. Note that super isn't tax-deductible until it has been paid, so ensure all super contributions are completed by the end of the financial year.

The total Superannuation Concessional Contributions Cap for 2021 is \$25,000 (this is increasing to \$27,500 from 1/7/21). Concessional contributions include employer contributions, salary sacrificed and personal contributions claimed as a personal deduction. The concessional contribution tax rate is 15%.

Have you reached your Concessional Contributions Cap? Making additional payment prior to 30 June may reduce your taxable income as well as paying a lower tax rate on sacrificed amounts.

Payment Summaries - Income Statements

A reminder that with the introduction of mandatory STP reporting, payment summaries will no longer be provided directly to your employees. Employees can access their payment summary (now called an income statement) through their registered tax agent or ATO online services using myGov.

2022 - Planning for the Coming Financial Year

Budget

Having a detailed and accurate budget is a must if you want to build a thriving, sustainable business. A budget is an important financial statement. It tells you how to direct your money to where it's needed most. Now is the time to start planning your Budget for 2022FY.

Review

Take time to set yourself up for the year ahead. Regularly reviewing and updating your plans will help you to:

- remember your goals and priorities
- assess whether your strategies are working
- adapt to any changes in your environment
- make the most of new opportunities as they come your way
- prioritize and maximize your effort (work smarter, not harder)

Assess

As your business grows and expands, you may decide to change your business structure, or to restructure your business. The compliance and taxation regulations differ depending on your business structure. Talk to your accountant to discuss your options.



KEVIN BECK
DIRECTOR
0414 880 011



RUSSEL MILLER
VCFO | BAS AGENT
0406 223 910



TEGAN COSTELLO
VCFO
0414 292 295

CALL 1800 1800 98



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You are receiving this email because you opted in via our website.

Our mailing address is:

Pacific Accounting Pty Ltd
Level 6, 27 Kyle House, Macquarie Place
Sydney, NSW 2000
Australia