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## End of Financial Year Update – Plan to Win

Good tax planning before year-end can mean significant tax savings - but leaving it until the last minute or, worse still, not giving it any thought, can be very costly. The following tax tips are particularly critical for the self-employed to consider prior to 30 June 2014.

### MAXIMISE DEDUCTIBLE SUPERANNUATION CONTRIBUTIONS WHERE APPROPRIATE



Did you know that self-employed Australians have the lowest average account balances? If you are a self-employed person, you may consider providing for your retirement by making annual superannuation contributions. This is not an easy

task when a business is growing and requiring on-going capital investment.

The tax benefits of superannuation should be considered and, depending on your age, you can contribute in 2013/14 year a maximum of \$25,000 or \$35,000 if you are 60 or over. It is critical that these contributions are received by your superannuation fund at least a week prior to 30 June to allow for any processing delays, otherwise you may find that your last minute contributions are not able to be counted in this year's tax deduction.

If you are an employee you may consider salary sacrificing additional amounts into superannuation. However, you must ensure you *do not* exceed the superannuation contributions caps each year as the tax cost can be significant.



## SUPERANNUATION THRESHOLDS INCREASING FOR 2014/15 YEAR

The Australian Taxation Office has announced key superannuation rates and thresholds to apply



- \* The concessional contributions cap has increased to \$30,000 for 2014/15 (currently \$25,000). For 2014/15 this will apply to persons aged under 50.
- \* The special concessional contributions cap for older people remains at \$35,000, but will apply to anyone aged 49 or over on 30 June 2013.
- \* The non-concessional contributions cap has increased to \$180,000 (up from \$150,000). (Non-concessional contributions include personal contributions for which you do not claim an income tax deduction.)

## PLANT AND EQUIPMENT WRITE-OFFS FOR SMALL BUSINESS (BUSINESSES WITH AN AGGREGATED TURNOVER OF LESS THAN \$2M)



From 1 January 2014, the threshold for writing off assets for small businesses was reduced from \$6,500 to \$1,000. Small businesses can still write-off assets purchased under \$1,000.

Items costing \$1,000 or more are deductible at a rate of 15% in the year of purchase, then 30% per annum in subsequent years. Where possible, consider bringing forward the purchase of new plant and equipment prior to 30 June 2014 especially if the amount is less than \$1,000.

While pooling of assets has been around for a while, it is still a practical way for small businesses to deal with assets and simplify depreciation calculations.



For businesses that still maintain depreciation schedules, these should be reviewed to ensure there are no items which are no longer on hand which could be written off. This applies to both small and larger businesses.

## DEFERRING INCOME AND PREPAYING EXPENSES



Bearing in mind your cash flow position, you may wish to consider deferring income and prepaying expenses. You should keep in mind your tax bracket for both financial years to ensure that you are not taxed at a higher rate on the deferred income.

If you return income on a cash basis, you are assessed on income as it is received. A simple end of year tax planning strategy is to delay (if possible) receipt of the income until after 30 June 2014.

Small business entities are also able to prepay expenses and, subject to a few rules, immediately claim the expenditure as a tax deduction upfront.

## REVIEW OF MANAGEMENT ACCOUNTS PRIOR TO 30 JUNE 2014

Taking the time to review your management accounts a few months before year-end with us can identify tax areas and opportunities that require further consideration.



This review may include:

- Reviewing the overall position of the business with the view to increasing or decreasing your personal salary accordingly. You may find that there is an added cost in paying a larger salary to yourself if it is not necessary.
- Estimating tax position for the year to assist with year-end planning and budgeting.
- If the estimated tax payable is lower than anticipated, considering varying the June business activity statement to lower the final PAYG instalment payment for the year.
- Considering further superannuation contributions, prepayment of expenses, deferring income and writing off assets.

Your TNR representative can help you with any questions that you may have in relation to tax planning for the Financial Year-End.

## Car Expense Rates – First Increase in 5 Years

The car expense rates per kilometre have been set\* for the 2013/14 year. They have been increased for the first time since 2008/09.

\* Tax Laws Amendment (2013 Measure No. 1) Regulations 2013

Year	Small Car	Medium Car	Large Car
2012/13	\$0.63	\$0.74	\$0.75
2013/14	\$0.65	\$0.76	\$0.77

## ATO Announces Contractor / Council Data Matching Program

The ATO has advised that it will acquire details of approximately 20,500 individuals providing contractor services to local government authorities in the 2010/11 and 2011/12 financial years from various local government Council and Shire authorities throughout:



- Queensland;
- Tasmania;
- New South Wales; and
- Victoria

These will be electronically matched with certain sections of ATO data holdings to identify non-compliance with lodgement and payment obligations under taxation law.

If you provide services to local government and are concerned, please contact TNR so that we can answer any questions you may have.

## Salary Sacrifice Rental Property Expenses



Many employees have residential property investments, and most would be paying for the expenses out of their after-tax income.

However, by salary sacrificing those expenses, employees could make significant savings. For example, if an employee is entitled to claim an immediate deduction for an expense they occurred in relation to a rental property, they can achieve after tax savings by salary

packaging rental property expenses (that are subject to the 'otherwise deductible' rule) for the following reasons:

- Where the employer is entitled to an input tax credit in respect of the rental property expense, the employee effectively salary packages the GST-exclusive cost of the expense and, in effect, avoids paying GST on the reimbursement.
- The employer may claim a deduction for the GST-exclusive cost of the expense, and the employer reimbursement or payment will not be subject to FBT as its taxable value will be reduced to nil under the "otherwise deductible" rule; and
- Where the employer has reimbursed or paid for the cost of acquiring rental property depreciating assets that qualify as a "once-only" deduction, the employee may "double-dip" by claiming an outright deduction (in the year of purchase) for the GST-inclusive cost of the asset, under the \$300 immediate write-off for non-business assets.

Please contact our office for more details regarding the applicability of these deductions to you.

## Richard Branson's Top 10 Tips for Success



Richard Branson left school at the age of 16 and set up Student Magazine with one of his friends. He went onto start Virgin Records in the 1970s and is the founder of the Virgin Group. In the 1980s he formed

Virgin Atlantic airline and the 1990s saw the arrival of Virgin Mobile and Virgin Trains.

He is one of the most successful businessmen in the UK and an icon of entrepreneurship. His latest project is Virgin Galactic, which he hopes will one day become a space tourism company.

### HERE ARE HIS TOP TEN TIPS FOR SUCCESS

#### 1. Follow your dreams and just do it



Follow your dreams, get involved in life, in the things that interest you.

If you are going to create a business, make sure it is your hobby, your passion or something that you really enjoy. You will live a much better life that way. Don't just set out to do something for the sake of making money.

I think lots of people have lots of great ideas, but very few people actually go out and try to put them into

practice. There are lots of people who think that somebody must have done that before, or you'll never raise the money or you shouldn't take a risk in life.

It's the people who say I'm just going to do it, that end up having a chance of having a much more exciting and rewarding life.

#### 2. Make a positive difference and do some good

The first thing to do if you want to become an entrepreneur is basically to have an idea that is going to make a positive difference to other people's lives. A business is simply that. If you're running a business you are in a position where you can make a hell of a difference in this world.



I also think it's great for the staff of a company that they can feel good about a company that is actually getting out there and doing good.

#### 3. Believe in your ideas and be the best



You definitely need to believe in your idea. There's really no point in doing something in life unless people feel really good about it and proud about it. You've got to have passion for it and you've got to be able to

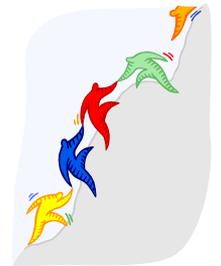
inspire other people to have a passion for it too.

If an idea is a good idea you should be able to pitch it in two or three sentences and two or three sentences fit very neatly on the back of an envelope.

There was no point creating a new airline unless it was going to be palpably better than every other airline in the world, you've got to make sure that every aspect of what you do is better than the competition.

#### 4. Have fun and look after your team

I 100% believe that it's important to have fun and if you're not having fun anymore, it might be time to move on. You should have fun from the top down and create the kind of environment that's pleasant to work in.



Make sure that you have got the kinds of people running your companies who genuinely care about people, who look for the best in people and who praise and don't criticise. People are not that unlike flowers. If a flower is watered, it flourishes and if a flower is not watered it dries up and dies and I think the same applies to people.

## 5. *Don't give up*

It's extremely important not to give up. There have been situations in my adventures, like crossing the pacific in a balloon, where the odds were stacked very heavily against us surviving.



Being an entrepreneur is not that dissimilar to being an adventurer. You have plenty of situations where your back is right up against a wall and you've got to work day and night to make sure you overcome the difficulties a particular company finds itself in. Brush yourself down the next day and move on into something else.

## 6. *Make lots of lists and keep setting yourself new challenges*

I make copious lists because I think it's the little details that make for an exceptional company over an average company. Details are very important and I think it's important to keep setting yourself new challenges and targets.

I do believe that the first of the year is a good time to write down your goals for the year. Unless you actually organise yourself and write down the kinds of things you want to achieve, there's a danger that as time slips by, you don't achieve a lot.

## 7. *Spend time with your family and learn to delegate*

One of the early things you have to do as an entrepreneur is to learn the art of delegation. Find people who are better than you to run the companies on a day-to-day basis, freeing yourself up to think about the bigger picture and spend time with your family. That's very important, especially if you've got children, they are what's going to be left when you're gone.



I know I'm a good entrepreneur, but I'm not sure that I'd be a very good manager and there is a difference. My mind is always thinking ahead and wanting to create new things. I just think once I've set something up, it is better if someone else runs it. I can dive in and out and be a pain occasionally, but the day-to-day business is better for somebody else to do.

## 8. *Try turning off the TV and get out there and do things*

My mum brought us up very much to get out there and do things, don't watch other people do things and don't watch television. I think that was a good way of bringing up kids.

What I'm doing I see as so fascinating, so rewarding, so interesting that I don't ever really want to switch off too much because I find myself in such a wonderful, challenging position that I don't want to waste that position and there are just so many important challenges going on.

## 9. *When people say bad things about you, just prove them wrong*

There are people who hang onto the coat tails of successful people and try to sell a few books on the back of their name. It's unpleasant but you know that if you sue them or kick up a fuss, all it will do is publicise the book. So I've had to learn the art of ignoring people like that.



## 10. *Do what you love and have a sofa in the kitchen*

You only live one life, so I would do the thing that you are going to enjoy. When life boils down, this might sound like a little much coming from me, I do have my own little island in the Caribbean, but when we are on that island, we tend to just live in the kitchen.

The truth is, so long as you've got a kitchen which has space for a sofa, and a bedroom, and a partner that you love, you don't necessarily need the add-ons in life. Then, if you're doing something that really interests you, it will result in a much more enjoyable life rather than just doing something for the sake of making money.

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If you have any questions or would like to discuss this newsletter, please do not hesitate to contact TNR:

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