

## Entities not defined as small business

Aggregated turnover of over \$2 million. Please see our other tax planning factsheets if this information is not applicable to you.

### Prepayments

- The prepayment rule for "other small businesses" applies to business taxpayers with a group turnover of \$2 million or more.

### General Deductions

- Staff Bonuses – ensure a cheque has been written prior to 30 June 2016 and PAYG withholding tax deducted.
- Staff Holidays – where practical, encourage staff to take holidays prior to 30 June 2016.
- Superannuation contributions for the year ending 30 June 2016 can be paid for any eligible person:
  - aged under 49 years - \$30,000
  - aged 49 years to under 59 years - \$35,000
  - aged 59 years and over - \$35,000 (subject to the "work-test" from age 65)
- Self-Employed Persons can obtain a superannuation deduction on the same basis as that adopted for employees.
- Salary Sacrifice Arrangements can be utilised to maximise superannuation contributions subject to the overall deduction limits.
- Non-Concessional Contributions can be made up to \$180,000 per annum or a total of \$540,000 over a 3-year period (for those aged under 65).
- Superannuation Minimum Contributions have to be paid to all eligible employees who are paid, at least, \$450 gross per month.
- Interest On Loan Funds can be claimed on loans taken out for business purposes or to buy income producing properties and/or shares.
- Repairs & Maintenance – ensure that the work has been completed prior to 30 June 2016.
- Directors' Fees – ensure cheques are drawn prior to 30 June 2016 and that PAYG Withholding Tax is deducted.



- Travel Deductions:
  - Overseas? Prepare a full itinerary and diary.
  - Local? 6+ nights away you are required to maintain a diary.
- Motor Vehicle Expenses – there are 2 methods available to calculate tax deductions for work-related motor vehicle expenses:
  - cents per kilometre - 66 cents per kilometre
  - logbook method - you can claim your actual business kilometres as a percentage of the total kilometres that the motor vehicle has travelled and to then utilise that percentage as the claimable percentage of the total motor vehicle expenses incurred.
- Donations – any promised tax-deductible donations should be made prior to 30 June 2016.
- Borrowing Costs can be claimed over the shorter of the 5 years or the term of the loan.
- Entertainment is not deductible unless it is provided as a fringe benefit and FBT has been paid.

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## Entities not defined as small business

### Aggregated turnover of over \$2 million.

#### Research & Development (R&D)

Companies that incur research and development can claim additional taxation benefits.

There are two components:

1. **Companies with turnovers under \$20 million** will receive the benefit of a R&D refundable tax offset calculated at 45% of the eligible research and development expenditure. The rebate can be paid to the company by the ATO within 30 days of lodgement of the company's tax return if the company elects to receive this payment in the company's income tax return.

It's important to note that for R&D claims in respect of the year ending 30 June 2016, the company must register with AusIndustry by 30 April 2017 or the date of lodgement of company's income tax return, whichever is the earlier.

2. **Companies with turnovers over \$20 million** will receive a 40% non-refundable tax offset of the eligible R&D expenditure. If you require further information of the treatment of R&D expenditure, please contact us.

Companies must register their R&D projects with AusIndustry by 30 April 2017 or the date of lodgement of the company's income tax return, whichever is the earlier. Gifts – ensure payment is made to a tax-deductible charity on or before 30 June 2016.

- Audit Fees are deductible if there's a contract that creates a presently existing liability before 30 June 2016.
- Salary Packages – ensure salary packages for 2015/16 are negotiated and documented prior to 30 June 2016.
- Legal Costs – review any that have been incurred. If the legal costs relate to regular business operations (e.g. debt collections), separate them from costs relating to capital items which are not claimable for income tax purposes.
- Luxury Car Tax is 33% and applies to the GST inclusive value in excess of \$63,184 (including GST). The Luxury Car Tax for "fuel efficient vehicles" applies from a cost of \$75,375.

- Fringe Benefits Tax Payment (Accruals Basis) – if a FBT instalment is due 21 July 2016, it can be accrued and claimed as a tax deduction in the year ending 30 June 2016.
- Commissions Owing (Accruals Basis) – where employees or another business are owed commission by your business for services rendered up to 30 June 2016, the accrued amount can be claimed as a tax deduction at 30 June 2016.
- Bad Debts (Accruals Basis) – actually write-off any bad debts prior to 30 June 2016 and prepare minutes authorising the write-off.
- Interest (Accruals Basis) – any accrued interest outstanding on a business loan, that has not been paid at 30 June 2016, can be claimed as a tax deduction at 30 June 2016.
- Salaries & Wages (Accruals Basis) – the accrued expense for the days that employees have worked, but not paid at 30 June 2016, can be claimed as a tax deduction at 30 June 2016.
- Commercial Bills (Accruals Basis) – where the term of a Commercial Bill expires beyond 30 June 2016, the discount applicable to the period up to 30 June 2016 can be claimed as a tax deduction.
- Rent (Accruals Basis) – if rent is in arrears, the part that is owed up to 30 June 2016 can be claimed as a tax deduction.

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## Entities not defined as small business

Deductions On “Accruals” Basis subject to income tax return being lodged on an “accruals” basis.

### Stock

- Stock On Hand – review stocktake list as at 31 May 2016 or early in June 2016. Determine whether to conduct “sales” prior to 30 June 2016. Conduct stocktake as at 30 June 2016. If you’re conducting regular “rolling” stocktakes throughout the year, it may not be necessary to conduct a stocktake as at 30 June 2016.
- Value Of Stock can be valued at different individual methods for each item of stock:
  - Cost
  - Sale Value
  - Lower of Market Value or Replacement Cost
- Obsolete Stock – identify any and decide whether to clear or dump that stock prior to stocktake.

### Employment Issues

- Payment Summaries must be prepared and sent to all employees by 14 July each year.
- PAYG Withholding Tax annual summary due 14 August to ATO.
- Payroll Tax (if you are liable) - you have to prepare a reconciliation of total payroll for the year showing the total amount of payroll tax payable and then reconcile this with the remittances that you have forwarded on a monthly basis.
- Work Cover Declaration is due 31 August certifying wages paid for year ending 30 June 2016.

### Fix Assets

Determine if there are any benefits in scrapping any fixed assets to obtain the tax write off prior to 30 June 2016.



### Income Issues

#### Bad Debts Recovered (accruals basis)

If a debtor, who had been written off as a bad debt and claimed as a tax deduction for the amount of the bad debt, subsequently pays any part of the amount owing, you have to bring the amount paid to account as assessable income in the year of recovery.

#### Your end of financial year review

If you have any queries on any other items not discussed in our factsheet, or you have general matters that you’d like to discuss with us regarding your tax affairs for the year ending 30 June 2016, please contact us on 02 6686 3000 so that a convenient time for a meeting can be arranged.

For further details on the Federal Budget, which has been tabled in the House of Representatives, please visit our [blog](#) for more indepth articles.

# Entities not defined as small business

## Income Issues

### Government Grants

If your business has received a grant from a government department, it's most likely paid to you on the basis that it's taxable income and therefore you need to disclose in your tax return the receipt of the government grant. If you are lodging your income tax return on a cash basis, this highlights the desirability of ensuring that all of the government grant funds have been expended on tax-deductible items prior to 30 June 2016 (if possible).

### Personal Service Income (PSI)

Taxation laws include measures that are designed to limit the deductions available to certain contractors, whether operating as a sole trader or through a company, trust or partnership; these are known as the PSI measures. A taxpayer, who meets certain specified tests, will be treated as carrying on a personal services business and will be able to claim a wider range of deductions. If you are operating a personal service business you need to be aware of the ATO's strict approach to income retention and income splitting.

### Non-Commercial Losses

For a business to be commercial, under the "non-commercial losses tests", the business needs to meet certain prescribed tests. If the tests are not met, any losses arising from the activities have to be carried forward and offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2015/16.

### Trust Distributions

The ATO has indicated that it will be enforcing the full meaning of the law, whereby trustee distribution/resolutions have to be made by the 30 June each year.

*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 by calling Collins Hume on 02 6686 3000.*

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