

Let's Talk About End of Tax Year Planning

With the end of the financial year approaching for many business people, now is a great time to start thinking about what you need to do and consider some relatively simple tax planning tools that can be put in place to help minimise your end of year tax.

Prepaying Expenses

If you prepay certain expenses before balance date a tax deduction is available in that tax year. These expenses include stationery, postage and courier charges, vehicle registration, Road User Charges, rates and newspaper subscriptions.

Larger items such as rent, consumables, insurance premiums, professional or trade subscriptions, travel, advertising, periodic charges and services can be claimed but there are limits and conditions that apply. For farmers, consumables include items like feed, fertiliser and animal health products. A call to your accountant will set you on the right track with these. The limits for this type of expenditure are relatively high and can be extremely helpful for tax planning in high income years.



*Fallon la Dette,
Associate*

Stocktakes

Make sure a stocktake is planned and carried out. If your annual turnover is less than \$1.3m and your stock is less than \$10,000 you do not need to carry out a physical stocktake. In this case your closing stock can be valued at your opening stock value. However, livestock is not covered by this concession.

Accounts Receivable

Review your accounts receivable ledger and ensure any bad debts are written off prior to balance date. The rules are specific - the debt must be written off before balance date. If you don't do this, you are effectively paying tax on money you will never receive.

Credit Notes

If a credit note is issued to a customer after balance date reducing the amount they owe you, let your accountant know. Again, this will ensure that you are not paying tax on money that you will not receive.

Assets and Repairs & Maintenance

This is also an excellent time to review your Fixed Asset Schedule and identify assets that can be written off.

Two items that are good to discuss with your accountant are:

- If you are thinking about purchasing or selling an asset prior to balance date. The timing of depreciation claims and recoveries can have an impact on your end of year tax liability. It's well worth discussing the timing.
- Where significant repairs and maintenance are planned on major assets give thought to bringing this expenditure forward. It is not always apparent whether some repairs and maintenance can be claimed for tax purposes or whether they should be capitalised.

Accounting Software

If you are using your own accounting software, make sure that all year end procedures and roll over instructions are followed.

Income Fluctuation

If you feel your income is significantly higher or lower than the previous year it is often advantageous to get your accounts completed as soon as possible. This will allow your provisional tax payments to be more accurate and any refunds to be received sooner.

Your accountant is there to help you in your business, make sure you comply with your tax obligations and ensure you pay the minimum amount of tax you legally need to. If we can be of assistance, please give us a call to arrange an appointment.

By Fallon La Dette, B.B.A., Dip Bus. Fallon is an Associate with MCI & Associates. Fallon understands that achieving your goals requires hard work and it can take time to reach your destination. It's the same for work as in life - She enjoys helping her clients to put the things in place to keep them on track and achieve their goals.

Disclaimer: The opinions expressed in this article are those of the author. The information and opinions published should not be a substitute for accounting advice. No liability is assumed by the author, MCI & Associates or the publisher for losses suffered by any person or organisation relying directly or indirectly on this article.

MCI & Associates Ltd. 6 Gordon Street, Dannevirke & 139 Main Street, Pahiatua
Tel: (06) 3747059 & (06) 3767476 email: info@mci.co.nz