THE POWER OF BEING UNDERSTOOD

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Tourism Council Western Australia Partner

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TAX PLANNING FOR YOUR TOURISM BUSINESS

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Disclaimer

- This presentation contains general information only and should not be used or treated as personal advice. Readers should rely on their own enquiries and that matters addressed in this paper are only some of the matters that should be considered when making decisions.

- Laws and practice change frequently and without warning, therefore, caution must be exercised before relying on any information.

- The information covers taxation advice for educational purposes only and taxation is only one factor to consider when making decisions.

- The opinions expressed in this paper are those of the author and not necessarily those of RSM.

What is Tax Planning

Legally reducing your tax bill

- The main reason for doing something cannot be to avoid paying tax. There must be a valid commercial purpose

Tax avoidance is exploiting a tax loophole in a way the Government did not intend, to save tax and the primary reason you did it was tax driven not business or investment driven. “Complying with the letter of the law but through an artificial scheme”

Tax evasion – in layman's terms – “making stuff up” or hiding revenue e.g. “cashies”

Why do we tax plan

The most famous quote about tax planning/minimisation below:

“Of course, I am minimising my tax. And if anybody in this country doesn't minimise their tax, they want their heads read, because as a government, I can tell you you're not spending it that well that we should be donating extra!” - Kerry Packer.

It is also a powerful competitive advantage against your competitors over the long term.

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Types of Tax Planning

The 4 main categories of tax planning are

- Increasing or ensuring you get all of your legally entitled tax deductions
- Looking for legal means to move income from high tax rate people or entities to low tax rate people or entities
- Moving Income from high profit years to low profit years
- Looking for ways to reduce or delay capital gains income
- Ensuring you are operating in the correct structure

Business Tax Planning

- Paying superannuation on time and before year end
- Temporary full expensing of depreciation assets
- Write off of bad debts before year end
- Valuing closing stock at lowest value
- Committing to staff bonus before year end
- Prepaying expenditure eligible for immediate deductions
- Accruing expenses after year end
- Immediate deduction for starts ups

Individual Tax Planning

- Bring forward deductions on Investment loans
- Capital works deductions on Rentals
- Motor Vehicle claims
- Donations
- Income Protection
- Superannuation Contributions
- Bring forward Superannuation contributions
- Individual income tax rates
- Medicare levy surcharge

Tax Rates for 2022 – 2023 year

Taxable Income	Tax On This Income
0 to $18,200	Nil
$18,201 to $45,000	19c for each $1 over $18,200
$45,001 to $120,000	$5,092 plus 32.5c for each $1 over $45,000
$120,001 to $180,000	$29,467 plus 37c for each $1 over $120,000
$180,001 and over	$ 51,667 plus 45c for each $1 over $180,000

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Medicare Levy Surcharge Rates

Threshold	Base tier	Tier 1	Tier 2	Tier 3
Single threshold	$90,000 or less	$90,001 – $105,000	$105,001 – $140,000	$140,001 or more
Family threshold	$180,000 or less	$180,001 – $210,000	$210,001 – $280,000	$280,001 or more
Medicare levy surcharge	0%	1%	1.25%	1.5%

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Structures

Trusts

- Distribute income including to company's (Division 7a Requirements need to be met)
- Get all the CGT exemptions (some complexity)
- Trust distribution Minutes
- Updated guidance on family trust arrangements

Partnerships

- Distribute income according to profit share or partners salary (must be commercial)
- Get all the CGT exemptions

Structures

Companies

- Distribute income according to shareholdings
  - Different classes of shares
- Tax Rate at 25% for base rate entities
- Tax Rate at 30% for all others
- Capital Gains – Generally Hopeless – CGT exemptions are available but there can be additional taxing points in getting cash out of the company.
- Div 7A Loans – Company loans to shareholders

Superannuation Funds

- Generally, 15% income Tax Rate 10% Capital Gains Tax rate (12 months)

Capital Gains

CGT taxes increases in assets when you sell them – including businesses

In very simply terms it is sale proceeds less cost of assets

If you own asset longer than 12 months, you get the 50% discount

- Companies do NOT get 50% discount

I.e.. bought shares for $1,000, sold them 2 years later for $3,000. The Gain is $2,000 but only have to pay tax on $1,000.

You then put gain into your tax return and pay tax according to what tax bracket you are already in.

If you have losses, you can take these off the gains e.g. if person above had a capital loss of $500 then would pay tax on only $750. YOU MUST TAKE LOSS OFF FIRST BEFORE DISCOUNT

Try to sell early July Not Late June

- NB: CGT is when you sign NOT settle

Capital Gains

NOW FOR THE GOOD NEWS

There are lots of great concessions for small business owners if they sell their business

Govt was very focused on trying to make it worthwhile going into small business and doing it well.

Essentially it is directed towards making it very rewarding at the end of your business life.

It is possible to sell your small business tax free provided it passes all the tests –

- $6.0m net assets or revenue under $2.0m are the main tests

Please seek more advice around this

Capital Gains

Plant and Equipment does not get discounts

Goodwill on sale of business is a CGT asset and does get discount

- Need to understand where a business seller is coming from: i.e., given you receive GST discounts on goodwill but not plant and equipment, the seller of a business may view the value of assets differently than the buyer.

Can roll over a trust to a company if ownership the same

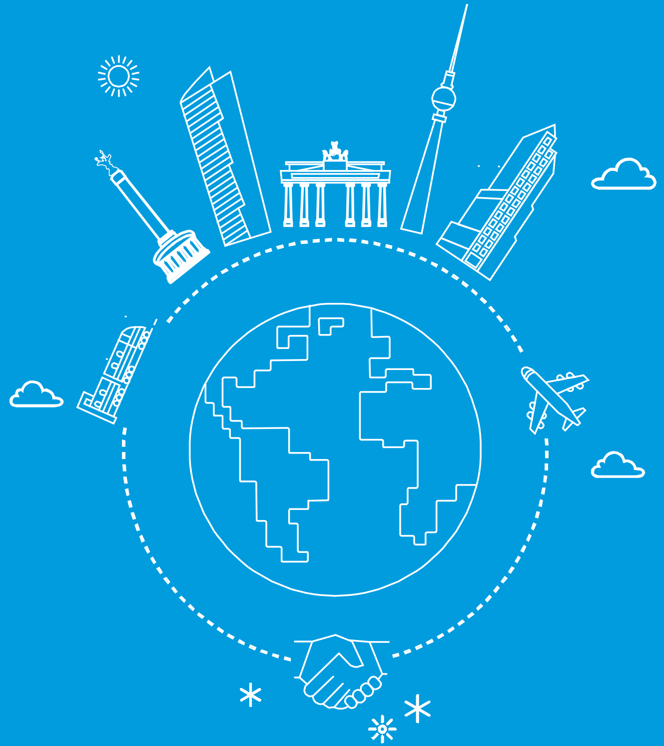
Can roll over plant and equipment if partners in partnership change

End of year checklist

You should meet with the following before year end:

- Bookkeeper
- Accountant
- Banker
- Financial Planner
- Lawyers
- Insurance broker

Thank you



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