

Dedicated to providing you with the best plain English tax advice
No matter what the size of your business

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Russell's Ramblings

Oh dear February already, it only seems like yesterday that we were celebrating the new year, where have the last 31 days gone.

It will soon be MARCH 31st and the tax reporting cycle starts all over again. So to help I have written some notes about things you can do to help save tax.

A number of clients have been asking about leasing, especially vehicles as at present both Ford and Holden are offering very special deals and I have compiled an information sheet on leasing and the implications and taxation effects.



Ring Kayla and she will email or post a copy to you.



Finally a Plea!!

When you compile your end of year tax papers, please complete your questionnaire— It really does help us to fully understand your business.



Tax Saving Checklist

... before the end of the financial year

Action Required Now!

Many businesses have a 31 March balance date so we have set out below a list of matters you should consider before the end of the financial year—some of which may help you reduce the amount of tax you may to pay.

Deductions

Deductible expenses may be claimed in the year they are incurred, even though payment may be made in the following year.

Listed below are some special expenses which are either deductible in full or in part when they are paid or incurred, but relate to the next income year.

1. Rent for Land & Buildings:

Prepaid amount less than 6 months and under \$23,000.

2. Rent for Lease or Bailment of Livestock or Bloodstock:

Prepaid amount less than 6 months and under \$23,000.

3. Consumables:

Amount on hand under \$58,000.

4. Insurance Premiums:

Where total insurance expense in the year does not exceed \$12,000 a 12 month prepayment is claimable.

5. Payments for Service or Maintenance

Contracts:

A prepayment of three months expenses is deductible provided the total expense on the contract does not exceed \$23,000 in the income year.

6. Telephone & Other Communication Equipment:

A prepayment of two months is deductible.

7. Other Services:

Prepaid amount less than six months and under \$12,000.

8. Stationery:

No restrictions.

9. Subscriptions: Newspapers, Journals, Other Periodicals—no restrictions.

Trade/professional associations—a prepayment of 12 months is deductible provided the total amount in respect of that association in the year does not exceed \$6,000.

10. Postage & Courier:
No restrictions

11. Rates:
No restrictions.

12. Advance Bookings for Travel and Accommodation:
Prepaid amounts less than six months and under \$12,000.

13. Road User Charges:
No restrictions.

14. Audit & Accounting fees:
No restrictions.

Valuation of Stock

The value of stock on hand at the end of the year impacts on your profits and you will need to do a stock take. Stock that is worth less than you paid for it or less than the cost of manufacture, can be valued at market selling value but you must be able to support your valuations. Some trades have special rules.

Stock can be ignored if it has a value of \$5,000 or less. If in doubt call me or Keith for details.

Bad Debts

You will need to think about each outstanding debt. Specific action must be taken against each debt before balance date to recognise it as bad. You can either write across the final statement “bad debt” and gather all of your bad debts into a folder for me or remove the debt from your debtors ledger and put it in a separate ‘bad debts’ account.

Holiday Pay

Amount accrued at balance date is deductible if paid within 63 days following balance date.

Disability Insurance

Premiums deductible in full where taxpayer is in business on his/her own account.

Royalties

Royalties accrued to balance date are fully deductible.

Travelling Expenses—Rental property

Owner/Investors

Taxpayers who derive their income from investments and incur travel expenses in managing these investments are entitled to a deduction for this travel. Adequate records of distance travelled should be kept and provided the annual total is under 5,000 kms, public service rates can be used.

Tax Calendar



20 February 2006

PAYE for January

28 February 2006

GST for Dec/Jan

7 March 2006

3rd Provisional Tax
Payment

20 March 2006

PAYE for February

7 April 2006

Terminal Tax

20 April 2006

PAYE for March

30 April 2006

GST for Oct/Mar

20 May 2006

PAYE April

31 May 2006

GST for March

7 June 2006

1st Provisional Tax
Payment

**Whats
New**

HOW TO CONTACT US

As from the 31 March 2006 the Russell Parry & Co. Ltd toll free number 351 1552 will no longer be available. In future please use 366 5776.

This month we celebrate two birthdays at CTS. Kayla who turned 19 and the boss whose age shall remain a secret.

February
2006 Edition

LIGHT RELIEF Swatter

A woman walked into the kitchen to find her husband stalking around with a fly swatter.

"What are you doing?" she asked

"Hunting Flies" he responded.

"Oh. Killing any?" she asked.

"Yep, 3 males, 2 females," he replied.

Intrigued, she asked. "How can you tell?"

He responded, "3 were on a beer can, 2 were on the phone".



*"Luck is what happens when
preparation meets opportunity"*

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