

# END OF FINANCIAL YEAR CHECKLIST

The end of the financial year (EOFY) is the perfect time to review your business practices, assess your tax strategy and evaluate your paying and receiving cycles.

Follow this EOFY checklist to put your business in the best position to grow in the year ahead.

## WHAT TAX DEDUCTIONS CAN I CLAIM?



### Claim a tax deduction.

You can claim a deduction for most costs you incur in running your business, regardless of whether you run your business as a sole trader or through a trust or company.



### Deduct the cost of assets.

If you are an eligible small business, you can immediately deduct the cost of some assets. The asset must have cost less than \$20,000.



### Deduct bad debts.

To claim a deduction for bad debts (i.e. money that you don't think you can recover from a customer), you must have previously included the debt in your assessable income.



### Understand costs you cannot claim.

There are certain expenses that are not tax deductible, such as private and domestic expenses. If you incur an expense relating to an asset (such as a car) that you use for both business and private use, the expense must be split.



### Claim tax-related expenses.

You can claim a deduction for fees from a registered tax agent, legal practitioner or accountant. You can also claim other tax-related expenses including bookkeeper fees and costs incurred in preparing and lodging tax returns. You may also claim a deduction for the cost of providing fringe benefits.

## DO I HAVE THE RIGHT BUSINESS STRUCTURE?



### Consider setting up a company.

If you are operating as a sole trader or partnership and your business is growing, it may be time to consider setting up a company. Setting up a company can reduce your personal liability if something goes wrong and make it easier to raise external funding.



### Consider setting up a dual company structure.

If you are operating a company, you may want to consider setting up a dual company structure. The second company, known as a holding company, can own and protect valuable assets such as your intellectual property.



### Review how you own your shares.

You may want to set up a trust to hold your shares if you are operating as a company and hold your shares personally. This may have tax benefits. However, it is best to transfer your shares before they increase in value to avoid negative tax consequences so the end of financial year can be a good time to obtain advice.



### Compare your tax rate.

If you are operating your business as a sole trader or partnership, you will need to pay tax at your individual tax rate. This may be substantially higher than the company tax rate. If so, it may be worth considering changing to a company structure.

## HOW CAN I CHASE UP LATE PAYMENTS?



### Audit your accounts.

Take the time to review the amount of money debtors owe you and assess the impact the debts may be having on your business. You should also consider investing in accounting software that will let you access your business data and total debts at any time.



### Review your business terms.

Review your business' terms and conditions and any contracts provided to customers. They should describe the goods or services you are providing, payment terms and dispute resolution procedures. Update any terms that aren't working for you, such as reducing payment terms from 30 to 14 days.



### Call or email debtors to follow up.

Follow-up all debtors by phone or email and re-send a copy of the invoice. Often, forgetful customers may be prompted by your reminder to make payment. If it is a common problem, you should consider an automated invoicing process that automatically sends unpaid reminders to customers.



### Send a letter of demand.

For larger or longer-term debts, you may want to engage a lawyer to send a letter of demand. It should clearly set out the total debt owed, a final date for payment and what action you will take if the debtor does not pay by the specified date. It should also include a copy of the relevant invoice.



### Consider a settlement or compromise.

If a debtor responds and disputes the debt or cannot pay in full, you may wish to consider a commercial settlement. For example, you may agree to accept a lesser amount of money as repayment, or you may agree for them to pay using a payment plan over an agreed period of time.