

Tax Talk

Income tax - removing the uncertainty

'There are only two certainties in life - death and taxes!'. Although it is difficult to tamper with the sand flowing through the hour-glass of life, good habits can slow its pace. Good taxation planning can ensure that taxes can be managed so there are no nasty surprises resulting in urgent phone calls to the bank manager a few days before due date! What processes should self employed business people adopt to plan their regular income tax commitments? Here's some direction.

1. Prepare annual budgets, forecasts and a tax plan. 'If you fail to plan, you plan to fail.'

Prior to the start of each year prepare budgets and forecasts to map the business' financial performance over the next twelve months. The operational budget will project the taxable profit from which the business' tax liability can be calculated and inserted in the cash flow forecast for the ensuing year.

2. Use a suitable computerised accounting system. 'What you can measure you can manage.'

The business' financial life needs to be accurately captured with regular reports produced to indicate the company's profitability, cash flow and performance in critical operational areas. Don't just run the monthly reports and file them, analyse them to ensure the business is performing in all facets and compare actual results to budget. Talk to us about your accounting system. Our team supports a number of options, including web based solutions such as Xero.

3. Update your tax plan. 'If nothing changes, nothing changes.'

Businesses are dynamic. So too are the economy and the planet we all squat on. World, national and local events can significantly change business profits, so the tax plan must evolve with the business' financial performance. Re-evaluate the tax plan at least three times a year (around provisional tax due dates) to either increase or decrease your provision. This can reduce or even eliminate use-of-money interest charged in certain instances by Inland Revenue for short paid provisional tax and, conversely, reduce bank interest on tax you didn't need to pay.

4. Seek Advice. 'A problem shared is a problem halved.'

We can help you with your budgets, forecasts and tax plans or prepare them for you. If you are considering a new business initiative come and talk to us so we can ensure you are using the right structure and allowing for the diverse range of taxes we can be encumbered with. Remember, taxes can be legally minimised and it's our job to assist you to do so!



Tax planning checklist

It's important you talk to us if you believe your income is going to be significantly higher or lower this income year. The first provisional tax instalment date for March balance dates has passed, but there is plenty of tax planning opportunity left in the year. Consider the following circumstances when talking to us:

Revenue up or down?	Yes	No	
Margins increased or decreased?	Yes	No	
Expenses up or down?	Yes	No	
Affected by removal of depreciation on buildings?	Yes	No	
Fixed interest loans maturing at lower rates?	Yes	No	
Unable to utilise company losses due to recent LAQC reforms?	Yes	No	
Any other anticipated events likely to affect income?	Yes	No	

Call us. We can help you.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation

