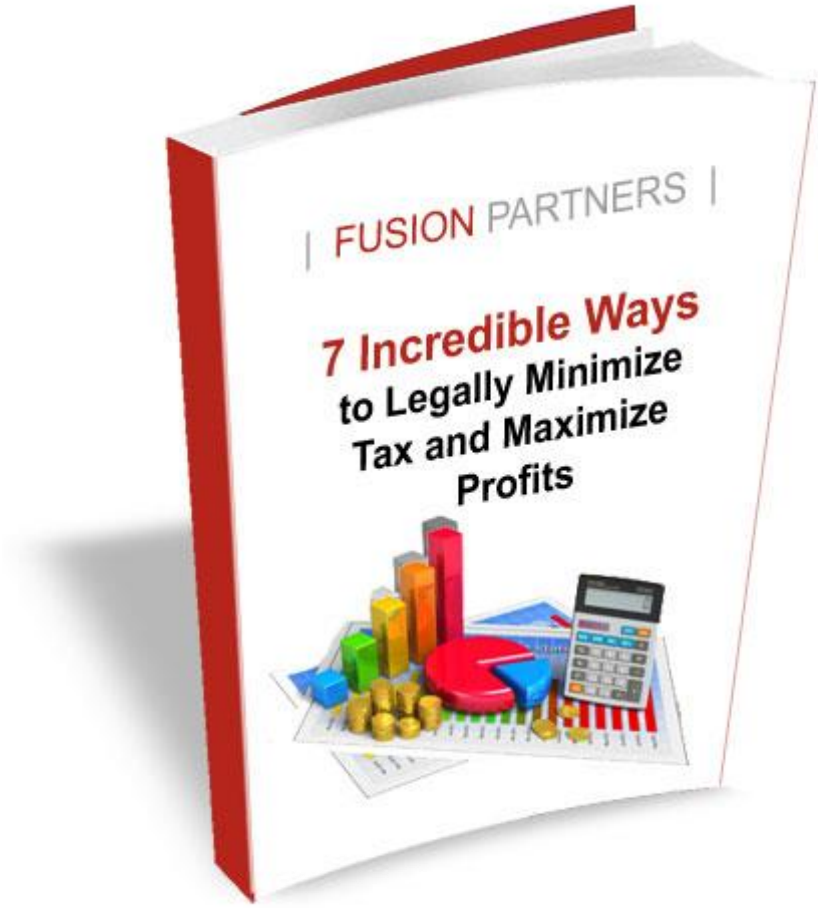
| FUSION PARTNERS |
7 Incredible Ways
to Legally Minimize
Tax and Maximize
Profits

7 Incredible Ways to Legally Minimize Tax and Maximize Profits

Introduction

Although taxation laws can be complex and hard to follow for the average individual with an accounting background, severely limited by his lack of interest in rules of mathematics other than batting average of Australian middle order, there are always opportunities open to you to increase your tax refund and lower your tax liability.

What you are about to read and hopefully master in this engrossing and insightful e-book is a collection of a number of easy to apply tax strategies used by some of wealthiest professionals and businessmen in Australia to reduce their tax burden and increase their earning year on year, irrespective of how the economy is performing.

You will gain an insight into these strategies would understand exactly how to implement them to achieve your goal of rapidly increasing your disposable income.

Tax planning, even though is a widely used practice in the world of commerce and business, there are still millions of individuals who aren't able to appreciate their potential tax savings.

We come across dozens of individuals everyday who are happy to cough out more tax than necessary and are blissfully unaware of how much money they could save by implementing just one or two of the strategies we'll share with you in this book.

With the right knowledge and a well laid plan, you will avoid overpaying the Tax Office. However, make sure to approach us or any other qualified tax professional before you implement these methods.

It's a fact that a lot of individuals don't understand what tax planning is. A famous Australian entertainer once confused tax planning with tax avoidance. Please understand they are not the same. By planning a credible and completely legal taxation strategy, you'd be taxed only as much as you should be. Moreover, the strategies mentioned in this book will will keep you on the right – no dodgy ideas about Caribbean tax havens are mentioned in this book.

So if you interested in saving big without breaking any laws, then read on.

Good luck!

Tax Saving Strategy 1

Bring forward Your Tax Deductions

One of easily employable tax reduction strategies involves maximising your tax deductions.

If you're able to bring forward your tax deductions into the current financial year, you'd be able to save big on tax. Less income, means less tax - just remember this all important mantra!

Here's a very practical example that you can employ in your financial life:

Entrepreneurs tend to purchase a lot of gifts for their workers, business partners, clients and suppliers to commemorate special occasions and to show appreciation of their working relationship. If they can show that these purchases were anticipated and thus made 30th June, deductions can be claimed on these gifts which ultimately helps businessmen pay less taxes.

Another great example can be repairs of business premises or rental properties. If the expensive borne on the repair are brought forward before 30th June, you can write off expenses in the current financial year and reduce your tax burden. However, repairs are different from 'renovations and improvements'. They are both handled differently and usually written-off over 25 or 40 years.

If you're running an office, you'd always be in need of day-to-day office supplies. Quickly fill your cabinets with files and toners before the year end. All those professional journals you're a part of and memberships to associations that you're a part of, should they receive their subscriptions before the end of the financial year, can also contribute significantly to your tax savings.

Additionally, if you plan to travel for business purposes the next financial year, consider paying for the airfares and hotel accommodation before 30th June. Contact your travel agent immediately!

You can easily adopt the same tax saving strategy with conferences and seminars and that would be taking place once the financial year ends.

Are you planning about buying or leasing an important business asset? Assets can include anything from equipment to office space to transport vehicles. If you're, it would be good idea to make the purchases before the year end. As long as your cash flow allows you to make the purchase, do so. If additional financing is required, a financial specialist can advise you on ways on leasing, taking out a chattel mortgage or prepare a hire purchase agreement for 30^{th} June.

Interest Paid on Investment Loans Can Also Help You Save Tax

One of the smartest ways of saving money this financial year is to pay your interest on investment loans and enjoy the generous tax deductions that come with it.

Contact your bank manager or personal financier and reap the tax benefits by paying your interests in advance. If you're able to prepay the interest you'll be in a very strong financial position.

Bonuses and Fees

Employee bonuses and directors' fees all form a part of the deductions that can help you save on taxes. As a business owner, the decision needs to be taken by shareholders by 30^{th} June.

Superannuation

Superannuation is an oldie but a goodie!

You can get a full tax rebate by making superannuation contributions on your employee's behalf 30 June. This one strategy alone can save you tax dollars by the thousands.

Also make sure that before you donate to a charitable organization, that the body is registered on the www.abr.gov.au which is the Australian Business Register website.

All donations made to registered organisations are tax deductible.

However, do note that gifts and donations cannot be used to save tax, if you're offered any benefit in return like a dinner or entertainment, which are some of the ways through which charitable organizations raise awareness and cash.

There is of course an exception to this which allows you to enjoy tax benefits on donations of more than $250 offered at any eligible fundraising event. It's always better to make the donations when the financial year is coming to an end.

Chase Debts to Save Tax

Is your accounts department working overnight chasing debts? If so, then spend some time analysing your debtors ledger before 30th June and identify all bad debts.

In layman's term, a bad debt can be described as one to which you're entitled, but one your clients or customers will probably not pay.

If after your best possible efforts to recover the debt, you cannot get back the money, make the best of a bad deal by writing it off prior to 30 June.

This would at least ensure that you don't have to any tax on an income you didn't make.

Tax Saving Strategy 2

Take Full Advantage of the Capital Gains Tax Discount

The value of an asset usually increases with the passage of time – for example, a business, a house or your shares in a company – preferably one named after a fruit!

A ‘capital gain’ is actually the profit you will come to enjoy when you sell that asset.

The net increase in the value of the asset value is subject to taxation, which is correctly termed as capital gains tax. Since it’s treated as a discount, you’d need to shell some tax on the profits you make, but as always there are avenues to save money here as well.

The capital gain comes with a discount that not many people are aware of or even bother to find out. The discount is 50% for capital gains made by an individual or a trust and if the gain is made by a complying superannuation fund the discount is 33.33%.

To take advantage of this discount, you as an investor would have to hold on to the asset you plan to sell at a profit for a minimum period of one year. This alone can save you thousands of dollars in tax, especially when the asset you’re selling has increased several times in value.

Tax Saving Strategy 3

Set up your own company

Since in the purely legal sense, a company is complete separate entity from its directors and members, you aren't your company and the company is not you.

A company has its own unique assets and pays its own taxes. It should thus have its separate bank account to take advantage of company taxation rate which at 30% is far more attractive that the 46.5% tax shelled out by individuals who are at the top marginal tax bracket.

This makes it wonderfully sensible to take set up a company and enjoy the 30% tax rate – one of the best tax planning strategies used by the wealthy.

While core positions in a company are that if the director, the secretary and your shareholders; a small company can have the same person fill all three shoes.

Tax Saving Strategy 4

Set up a Trust to Divert Income and Protect Your Assets

A trust can help you save money as a part of your tax planning strategy that offers both efficacy as well as providing flexibility.

A trust doesn't have any real owners per se, but is managed by a core group of controlling trustees. What this means is that assets and properties owned by your trust cannot be taken away since you're not its legal owners.

In fact, you could get away without actually owning anything, and if extreme situations are to arise, there would be nothing your creditors can seize.

While holding assets through a trust, you as the beneficiary would be entitled to enjoy the benefits of income they generate.

This asset protection and tax saving strategy is used by a lot of wealthy people across Australia.

Even though it's perfectly legal for individuals to appoint themselves as controllers of trust, we are personally not big fans for this particular practice.

It's in-fact way better to appoint a company as the trustee. Since its immortal in nature, it would continue to exist even a director dies. In such a case, all your beneficiaries would become your major shareholders and be able to have complete control of the assets of the trust.

This is indeed a brilliant strategy that can be used to transfer all your wealth to your next generation.

Tax Saving Strategy 5

Make Full Use of Tax Offsets and Rebates

Tax offsets and the various rebates you can enjoy should be right in front of your line while you prepare your various tax planning strategies.

It's really quite simple. The more offsets you can successfully report, the less you'd have to pay in taxes. Some of most common tax offsets that people still miss are as follows:

1) Franking credits

As a shareholder you're entitled to a tax offset which is equal to the franking credit when the franked dividends of the company whose shares you hold get distributed. From a purely tax saving angle, it thus makes sense to invest in companies that pay franked dividends.

2) Medical Expenses Offset

This is another useful offset which entitles you to claim up to 20% of all your net expenditure make on medical purposes, so long as they exceed the minimum required amount of $1,500 during a financial year.

Medical expenses can include everything related medicine which includes the services of qualified professionals like doctors, nurses and hospitals – and all payments made for their services are eligible for tax rebates.

Please note that naturopaths and some other alternate medical practices do not qualify for such tax rebates.

3) Mature Age Workers Tax Offset

If you're older than 55 and are still working, then not only do we congratulate you on your energy and good health, but feel happy to let you know that you are actually eligible to claim a tax offset of up to $500.

Tax Saving Strategy 6

Self-manage Your Superannuation

A very common way of saving money for one's retirement years can also be used as a smart tax saving measure. Did you know that there's actually a concessional tax rate of 15% on all Superannuation income, which is far lower as compared to the taxes changed for business owners and regular office employees. You also have an option to place superannuation with an institutional superannuation fund or you can do the smart thing and manage the fund yourself. Institutional superannuation with its numerous charges like establishment fees, administrator costs and auditing charges makes it a costly affair. Self-managed superannuation funds are an excellent alternative as they give people a strong control over their retirement savings, which simply doesn't happen with institutional superannuation funds.

Tax Saving Strategy 7

Claim All Possible Car Expenses

You can save a lot of tax by getting deductions on your motor vehicle usage. The best way to maximise your tax savings is by preparing and maintaining a log book, which should document every journey you make during a period of week continuous weeks. While it can be annoying to record each and every trip you make, but the tax deductions, in our opinion, makes it a very smart and worthwhile activity.

The deduction calculation essentially incorporates the annual cost of running and maintaining a car versus the percentage of times the car was used for work or business purposes. So keep all your receipts handy and *save big* on car expenses.

Conclusion

So there you have it. Some of the easiest tried and tested and perfectly legal ways of savings thousands of tax dollars every year, which can help you save a small fortune over time. We hope you make the most of this guide and do write to us at gerard@fusionpartners.com.au if you have any queries, or alternatively call us on 02 9037 2831