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The Top 12 most powerful (and underutilised)

# Tax Planning Strategies

inspire™



"Top 100 Companies in Australia"

**The top 12 most powerful (and  
underutilised) Tax Planning  
strategies to save Small Business  
Owners \$20,000+ Tax**



## Introduction

You're probably paying thousands and thousands in extra tax, without even knowing it. There are lots of legal tax planning strategies you could implement in your business that have a huge potential to give you staggering tax savings (read: add to the bottom-line).

And you're not taking advantage of them.

Probably because your accountant is not proactive.

That's why we launched the Save \$1,000,000 Tax campaign.

#SAVE1MTAX is a big hairy and audacious goal for Inspire to save small business owners one million dollars in tax in the next 12 weeks (ends 30 June).

How? By proactively implementing every legally available tax planning strategy with small business owners before the financial year ends.

Let us share with you some of our favourites.



Hi I'm Ben, I'm an accountant and am SUPER passionate about helping business owners pay no more tax than they need to!

Why?

Because if you're paying more than your fair share, that is coming at the cost of - cashflow, profit and wealth to your business & family.

So here are the top 12 strategies business owners can use to save \$20,000+ tax, legally!

These very strategies have saved our clients (which we call Inspire Family) \$1.26m in Tax in 12 weeks as part of an ambitious annual campaign called "Save \$500,000 Tax".



## Part One

# Structure your business so you don't give half your profits to the tax man!

When assessing if you're in the right structure, there are 3 considerations that need to be made.

1. How much tax does each entity pay?
2. Can the entity distribute profits?
3. How much protection of your assets does it provide?

So here's how the 3 business structures stack up, against each other -

- **Sole Trader**

A sole trader will pay up to 49% tax and that makes me sick! Where possible, we never ever want a client to pay that high a percentage tax.

A sole trader cannot distribute any income to other entities, like a spouse who may pay tax at a lower rate to you. Very very limited.

Finally, trading as a sole trader you have NO protection of your personal assets. **At INSPIRE CA we NEVER recommend anyone go into business as a Sole Trader.** It's the danger zone and we've seen so many war stories of





businesses who have been sued and lost their family home and savings in the bank.

- **Company**

Companies are the most common structure for business and they pay a flat rate of tax -

If you turn over UNDER \$2M your rate is 28.5%

If you turn over MORE than \$2M your rate is 30%

Unfortunately you cannot distribute income to another entity with a company, but it does provide you with asset protection.

- **Trust**

This is my favourite entity for the businesses it suits, and that's trading through a trust.

A trust doesn't pay tax itself, it can only distribute income to other people or entities (which we'll go through 10 options for your next)

And if a trust is set up correctly, it can protect your assets too!



## Part Two

# 10 people and entities you can distribute profit to in order to dramatically reduce your tax bill.

1. **Spouse** – let's say you have a stay at home mum or dad, their tax rate would be low, so you could distribute some of the income to them.
2. **Children** – you can also give money to your children. If they're under 18 you can distribute up to \$418 per child (which would save you \$180 tax).
3. **Retired Parents** – My dad retired in december and so he is on my hit list to distribute income to!
4. **The In Laws (or is it the Outlaws!)** – Yes,
5. **Grandparents** – They need to be tax residents of Australia.
6. **Brother or Sister** – If you've got a brother or sister who is under 18 and on a lower income (perhaps they're studying at university) they're a great option to distribute income to.
7. **Church or Charity** – Not only will you pay no tax on a distribution to a registered church or charity, but neither will they.



8. **Superfund** – Superfunds pay tax at 15% and you can distribute \$30,000 – \$35,000 per year depending on your age. This is a fantastic strategy to get your personal tax down.
  
9. **A second business making a loss** – If you have 2 businesses A & B. A is making great profit, B is making a loss. You can, for example, distribute \$50,000 from business A to business B and pay no tax on that amount.
  
10. **Distribute to a company** – Remember that companies have a set tax rate of 28.5% or 30% (depending on if you're turning over more or less than \$2,000,000). So compared to paying up to 49% tax in your own name, distributing to a company and paying tax at the company rate can be a huge tax saving.



### Part Three

## **A little known strategy to pay ZERO tax, without setting up an account in the Cayman Islands!**

This final strategy is a bit of a long term strategy which we do ourselves and perfect for the type of business who operates out of bricks and mortar premises – like an office or a restaurant.

Let's say you're a dentist and you wanted to buy the building you are in.

You can use a SMSF to purchase a building and have your company pay a commercial lease to the SMSF. Let's say the building costs \$500,000.

You might have \$200,000 in super and you borrow the rest, \$300,000 from the bank.

In 30 years time, you retire from dentistry and sell the building for \$2,500,000.

You've made a \$2,000,000 capital gain.

If you sell it in super, when you are drawing a pension, you pay NO TAX on that gain.

Let's contrast that – if you bought and sold the same property, but as a sole trader, you would pay \$490,000 tax.





A final thought ...

## **Tax Evasion vs Tax Effectiveness**

### **It's Not About Tax Evasion**

It's wise to acknowledge that paying tax means that you're making money.

And paying tax provides money for the government to keep the country running (whether we agree with the method or not...).

Being very clear, this isn't a strategy article where you'll find out how to earn a million dollars and pay zero tax.

While there are outright illegitimate "tax planning" schemes and promoters, there are very clear ways you can plan for tax and make the most of what is available to reduce the amount of tax you pay.

### **It's About Tax Effectiveness**

Over the years, we've seen many business owners grow their businesses, to the point where they are paying hundreds of thousands in tax each year.

As we mentioned earlier, this can be a great thing as long as we've planned very carefully to avoid unnecessary amounts of tax.



Get a second opinion ...

## Next Steps

If you think you might be paying more than your fair share in tax, it's time to get a Second Opinion. Our famous "Look Under The Hood" process will give you a second opinion on if you're paying more than your fair share in tax, as well as other insights into the performance of your business. This second opinion on tax is \$500 plus GST and we guarantee to find you at least \$500 in tax savings or it's free.

To get your second opinion rolling, book in a 10 min chat at [www.inspireca.com/TestDrive](http://www.inspireca.com/TestDrive) or call us on 1300 852 747.



## About Inspire

Bored with the “boring” tag the Accounting industry seems stuck with, Inspire is a firm on a mission to change common perception by achieving outstanding results with out of the box thinking... and doing.

As Accountants and numbers people they believe that family is number one and get excited to help Young Families Use Their Small Business to Achieve Big Goals. Best known for their proactive tax advice, their “It’s all Sorted” lodgement service for small businesses actually pays for itself in tax saved.

Acknowledged by Anthill as “one of the Top 100 Companies In Australia”, Inspire is throwing out timesheets and by-the-hour charges. Embracing cloud tech like Xero and giving part of its profits to families in need in the developing lands instead, makes them all the more interesting.



