



# Preparing for the End of Financial Year

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A Guide For Small Business

# Introduction

Welcome to your comprehensive guide to preparing for the End of Financial Year (EOFY). This time of year can be a flurry of activity and, if used wisely, an opportunity to set your small business on a path of financial efficiency and growth.

This guide is designed with small business owners in mind, offering practical advice, essential checklists, and innovative strategies not just to survive, but to thrive through the EOFY and beyond.

In these pages, you'll find insights into **The Importance of Forward Planning**, laying the groundwork for what's to come. We'll walk you through **Assessing Your Financial Goals**, helping you align your business objectives with your fiscal responsibilities. A section dedicated to **Maximising Your Deductions** will ensure you're leveraging every opportunity to reduce your taxable income legitimately.

We'll also discuss **Reviewing Your Business Structure**, with EOFY presenting the perfect opportunity to make a potential change, if appropriate. Finally, we'll set our sights on **Planning For 2024/25**, preparing you for success in the upcoming financial year.

Remember, managing your business finances doesn't have to be burdensome. With the right tools and knowledge, it can be a powerful opportunity to solidify and grow your business.





## Part One

# The Importance of Forward Planning

Forward planning is not just a good practice—it's essential for the health and growth of small businesses. It sets the stage for maximising deductions, ensuring compliance, understanding the true financial health of your business, optimising cash flow, and ultimately achieving peace of mind.



## Staying Compliant

The web of tax laws and regulations demands adherence to avoid penalties and legal entanglements. Planning ahead for EOFY empowers businesses to organise their financial records, accurately report all income and expenses, and file the necessary tax returns within deadlines.

## Understanding the True Financial Health of Your Business

EOFY provides a unique lens to view your business's financial performance throughout the year. By conducting a comprehensive review of financial statements and organising your records for lodgement, you gain insights into your business's strengths and weaknesses, offering a clear path to addressing issues and capitalising on successes. This reflection is invaluable for strategic planning and setting realistic goals for the future.

## Optimising Cash Flow

Effective EOFY planning extends beyond compliance and deductions; it's an opportunity to assess your business's financial performance critically. Identifying avenues to streamline operations, reduce unnecessary expenses, and enhance revenue generation can significantly improve cash flow. This, in turn, positions your business for sustainability and growth in the coming year.

## Peace of Mind

One of the most underrated benefits of early EOFY planning is the peace of mind it brings. Starting the process well in advance eliminates the frantic, last-minute rush to compile financial records and complete tax documents. This calm approach allows for more thoughtful decision-making, reduces errors, and ultimately makes life easier for business owners.

## Part Two

# Assessing Your Financial Goals

A clear understanding and assessment of financial goals sets the roadmap for your EOFY planning. It's not just time for reflection but for strategic alignment of your planning with your broader business ambitions and personal aspirations. Consider the following:

### What Are Your Long-Term Objectives?

The first step in effective EOFY planning is defining your long-term objectives. These could range from increasing profitability and expanding operations to reducing debt, purchasing a new home, or setting aside funds for retirement. Aligning your EOFY strategies with these objectives ensures every financial decision contributes cohesively towards achieving your ultimate goals. As such, whether your vision encompasses business growth, debt minimisation, or personal wealth accumulation, your EOFY planning should act as a supportive pillar for these aims.

### Managing Risk

A thorough assessment of your financial goals also involves a candid evaluation of the risks tied to various EOFY planning approaches and an understanding of your capacity for risk tolerance. Strategies aimed at minimising tax liabilities may carry different risk profiles than those focused on capital preservation. Recognising and preparing for these risks ensures that your EOFY planning does not inadvertently jeopardise your business's financial stability or security. It's essential to weigh these strategies against your long-term objectives to ensure short-term gains don't compromise your business's future viability.

### Adapting To Change

Business landscapes evolve, market dynamics shift, and personal circumstances transform over time. Such changes require a flexible approach to assessing financial goals, allowing your EOFY planning to remain relevant and effective. Regularly revisiting and adjusting your goals can help your EOFY strategy adapt to the external environment and internal priorities. This adaptability ensures that your planning efforts are consistently aligned with current realities and future possibilities, maximising your potential for immediate and long-term success.



## Part Three

# Maximising Your Deductions



Maximising your deductions is fundamental to EOFY. Understanding the criteria for a legitimate business deduction, distinguishing between eligible and ineligible deductions, utilising the instant asset write-off, and employing tactics to reduce your tax bill are all crucial steps. Here are the essentials:

## The Criteria for a Business Deduction

To ensure that an expense qualifies as a deductible business expense, it must meet certain criteria:



### Direct Connection to Income:

The expense should be directly related to your business's income, illustrating a clear link between the expenditure and your business operations.



### Business, Not Personal:

Only expenses incurred in operating your business qualify. Only the business portion can be claimed if an expense serves both personal and business purposes.



### Documentation:

Maintaining receipts, invoices, or any other documents that substantiate your claim is essential. These records are crucial for claiming deductions and complying with audit requirements.



## Eligible Deductions



Motor Vehicle Expenses



Other operating expenses



Business Travel Expenses



Depreciating assets and other capital expenses



Workers' salaries, wages and super contributions



Interest paid on business loans



Repairs, maintenance and replacement expenses

## Ineligible Deductions



Entertainment expenses (other than those provided as a fringe benefit)



Traffic fines



Private or domestic expenses, such as childcare fees or clothes for your family



Superannuation expenses that have not been paid into nominated super accounts by 30 June



The GST component of a purchase if you can claim it as a GST credit on your business activity statement



# Instant Asset Write-Off

The Instant Asset Write-Off is a powerful incentive introduced by the Federal Government allowing businesses with less than \$10m in aggregated turnover to immediately deduct the full cost of eligible assets up to \$20,000.



## Key Features of the Scheme

**Threshold Limit:** The scheme permits immediate deductions for the full cost of each eligible asset up to a limit of \$20,000. This threshold applies to each item, allowing eligible businesses to claim deductions on multiple eligible purchases.

**Eligibility Period:** Assets acquired must be first used or installed ready for use in the business between July 1, 2023, and June 30, 2024. This timeframe is critical for the expenditure to qualify for the write-off in the relevant financial year.

## Eligible Assets

☐

Vehicles  
(subject to load and passenger limits)

☐

Technology Hardware  
(printers, scanners monitors etc)

☐

Machinery and Equipment

☐

Solar Panels / Energy Efficient Equipment

☐

Computers and Laptops

☐

Kitchen Equipment (restaurants and cafes)

☐

Office Furniture and Fittings

☐

Agricultural Machinery and Equipment

☐

Tools and Machinery

☐

Manufacturing Equipment

## Don't buy what you don't need

To get the most out of the Instant Asset Write-Off, businesses should consider their long-term strategic needs and immediate tax advantages. While the Instant Asset Write-Off is a useful tax saving scheme, is preserving cash a more important priority right now? Seeking advice from a financial advisor or accountant is also advisable to ensure purchases align with the company's tax strategy and overall growth objectives.



# Reducing Your Tax Bill

With the right planning, you can substantially lower your tax liability. Use methods that align with tax laws and optimise your financial outcomes, including:

## Deferring Work

Can you hold off on scheduling a job or piece of work until July? Already earned enough for FY23/24? Need a holiday?

By deferring work to the 24/25 financial year, you'll limit the amount of assessable income subject to tax in this financial year. This is unlikely to be an option for most small business owners, but it may be an option for you.

## Asset Purchases

Assets purchased between now and end of financial year end can likely be deducted from your tax bill under the Instant Asset Write Off Scheme.

You should consider the cash flow vs tax deduction trade off before making a purchase.

## Superannuation Contributions

You can claim only tax deductions for superannuation contributions made on behalf of yourself or your employees that have been deposited into nominated super accounts by 30 June.

But don't forget... once funds are paid into super, they can't be accessed again until you are eligible. Are you trying to save tax, or is saving the cash more important right now?

## Pre-Paying Expenses

By pre-paying certain deductible expenses before the end of the financial year (such as rent, subscriptions and utilities), businesses can accelerate the timing of deductions.

Again, you should consider the cash flow vs tax deduction trade off before making such a prepayment.



## Part Four

# Reviewing Your Business Structure

Change is inevitable with any business. Aspirations for growth, shifts in the market landscape, or personal circumstances can lead to a critical juncture: Does your current business structure still serve its intended purpose?

The structure of your business impacts your tax obligations, liability exposure, and asset protection. The End of Financial Year is the ideal time to assess whether a change in structure could better align with your evolving business needs and goals. Is it time for change?

## Changing Business Structure: What To Consider

### Allow Enough Time

Transitioning to a new business entity can appear simple, but the underlying administrative tasks demand attention and time. If you're considering a shift, initiating the process well before the EOFY allows for a smoother transition. This foresight ensures all necessary adjustments are made in time for the new fiscal year, setting a solid foundation from July 1 onwards.

### A Fresh Start

Commencing a new business structure with the start of the fiscal year simplifies tax reporting and offers a fresh slate for your business operations. This clean break can streamline financial management and set a clear precedent for growth and development under the new structure.

### Client Communication

The EOFY is also an ideal timeframe for engaging with clients about future plans and any anticipated changes, including any changes to your business structure. Transparency and early communication can help manage expectations and maintain trust, ensuring clients feel informed and valued as part of your business's evolution.

### Review Your Pricing

A change in business structure often reflects broader shifts within your business, making it a prime time to reassess your pricing strategy. Understanding the distinction between profits and sales is critical—after all, you live on profits, not on sales. A thorough review of your pricing model in light of your new structure can ensure it accurately reflects the value you provide and supports your financial goals.

## Part Five

# Planning For 2024/25

When looking to the 2024/25 financial year, planning ahead can make all the difference in achieving your business goals and navigating potential challenges. Here's how you can effectively prepare.

### Take A Long-Term View

Developing a budget that spans at least 12 months is foundational to effective financial planning. This budget should be broken down on a monthly basis, allowing for a detailed understanding of your financial landscape. Analysing past performance is crucial at this stage. Understanding how seasonal changes, one-off sales, or unique purchases have impacted your business will provide valuable insights that inform future forecasting and decision-making.

### Understand Your Costs

Examining your major expenses – from the cost of goods sold to rent, equipment, wages, and vehicle costs, as well as any agreements or contracts with service and utility providers – is essential. It's important to assess whether these still represent the best value for your business or if more cost-efficient alternatives are available. This step can uncover potential savings and optimisation opportunities.

### Set The Right Targets

Setting realistic revenue targets is a critical component of your financial planning. Consider whether you anticipate growth, stability, or a decline in revenue and evaluate the implications each scenario has on your costs. These projections should help you decide whether you need to expand your team or invest in additional equipment to align with your financial and operational objectives.

### Prepare For Irregular Payments

Anticipating irregular payments such as quarterly BAS obligations, late invoice payments from clients or customers, annual company tax, and potential emergencies is a practical strategy. Incorporate these considerations into your budget and cash flow forecast to avoid unexpected financial strain.

### Review, Evaluate, and Iterate

A dynamic approach to budget management—marked by regular reviews, evaluations, and adjustments—is key to staying agile and responsive. Monthly tracking against your budget allows for timely interventions and ensures your financial planning aligns with your business's evolving needs and circumstances.

# Call Our Free Business Helpline Now

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*Retinue has been a game-changer for my business. As a busy plumber, I was struggling to manage my bookkeeping and payroll, but their expert team took the burden off my shoulders. They're reliable, knowledgeable, and always available to answer my questions.*



Jason Lowe  
JLX Plumbing

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