

As the end of the Financial Year approaches we are often thinking of ways of ensuring our business is tax effective, so now is the time to start planning. Here are 6 Tips for IT from Computer Troubleshooters you might consider with advice from your tax advisor

1

SMALL BUSINESS & GENERAL BUSINESS TAX BREAK

For Small Businesses turning over less than \$2 million a year, new tangible equipment investments of more than \$1,000 are eligible for the tax rebate. Under the government's plan businesses will be able to claim a bonus deduction of 30% for new eligible depreciable assets. The deduction is on top of the usual capital allowance deduction (i.e. depreciation).

To be eligible for the investment allowance, businesses must

- acquire or start to hold the equipment under a contract entered into between December 13 2008 and the end of June 2009 and
- have it installed ready for use by the end of June 2010, the deduction will be in the income year when first used or installed ready for use.

It is an ideal time to upgrade hardware & networks as you get the 30% as an upfront rebate plus you get the normal depreciation benefits over time. If you embark on the full network upgrade project the full installation and configuration cost of the project can be capitalized and included in total project costs. However, new software costs are not eligible for the 30% Tax Break Deduction.

EXAMPLE -

A Small Business buys & installs a \$5,000 computer before the end of June 2009 can claim an additional \$1,500 deduction (ie, 30%) in its 2008/09 tax return.

2

PREPAYMENT OF IT SERVICES

For Small Businesses turning over less than \$2 million a year prepayment of the following years IT services is a great way of tax effectively managing your future IT costs and having a complex area of your business effectively outsourced to an expert. A prepayment is not apportioned but allowed in full as a deduction in the year the year in which it is incurred if all services in respect of the prepayment are provided with 13 months of incurring the expenditure.

Your Computer Troubleshooter can provide prepayment of IT services using either a Managed Services Contract or a Block Time Services Agreement.

- A Managed services Contract has a defined service level and a monthly management component. This allows your network to be proactively managed & serviced like an outsourced IT department.
- A Block Time Services Agreement is an agreement to provide a specific number of hours of services at an agreed rate. This is a responsive contract where you use your Computer Troubleshooter as your service provider on a pay for service basis over the year. Generally this must be expended within the 12 month period.

EXAMPLE -

A Small Business decides to contract Computer Troubleshooters for its 2009/2010 IT outsourcing contract for \$500 a month. The \$6,000 contract covering 12 months is signed and paid prior to end of June 2009. The business can claim the \$6,000 deduction in its 2008/09 tax return..

For more information talk to your local
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IT Tax Tips

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DEPRECIATION

The depreciation rate on IT equipment is quite high due to their low expected life compared to many other depreciable assets. For depreciating IT assets over \$1,000 the effective life is 4 years and 3 years for laptop computers. Small Businesses in many cases can claim an immediate deduction for a depreciating IT asset costing less than \$1,000.

So while equipment may last beyond this point you may no longer have depreciation tax benefits.

So you if upgraded your IT equipment you could be experiencing the benefits of the latest technology tax effectively with a lower downtime risk and better running costs.

EXAMPLE -

A Small Business has a fully depreciated server which is five years old and expensive to maintain with a high risk of failure.

It replaces the Server with a new one purchased & installed for \$5,000 qualifying for the 30% Tax Incentive (see Tip1) & depreciates the equipment on an ongoing basis.

Effectively gaining the \$1,500 (30%) rebate, plus depreciating the \$5,000 over the life of the asset, moving some expenses from cash to non-cash, and reducing business continuity risk..

4

EDUCATION TAX REFUND

The Federal Government recently announced the proposed introduction of an education rebate for primary and secondary students.

Under the proposal, eligible tax payers will be able to claim 50% for costs up to \$750 for primary school students (i.e. a rebate of up to \$375), and 50% for costs up to \$1,500 for secondary school students (i.e. a rebate of up to \$750).

- To be eligible, the taxpayer must receive Family Tax Benefit ('FTB') Part 'A' or the child receives certain payments or allowances such as Youth Allowance, ABSTUDY or Disability Support Pension

Computer equipment and computer running costs (such as internet service provider fees, laptops, home computers, printers, toner, and stationery) used by students can be claimed. Make sure you keep receipts and tax invoice for inclusion for the claim.

EXAMPLE -

A family receives Family Tax Benefit Part 'A' and have 2 children in school one in primary, the other in secondary. They purchase a \$2,000 home computer for use by the children and pay \$60 a month for ADSL. Total spending of \$2,720 on IT for the students is incurred before end of June 2009.

In their 2008/09 tax return they claim \$750 for the primary student & \$1,500 for the secondary student. This equates to a rebate of \$375 plus \$750, so the rebate of \$1,125 will be included in their 2008/09 tax return

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HOME COMPUTER SERVICES

If you have used Computer Troubleshooters for servicing a computer that has been used for deriving income or managing tax affairs a proportion of the amount may be claimed for deduction for tax purposes. IT costs such as internet access, printer consumables (toner & paper), depreciation, and computer security subscriptions may be proportionally deductible in the same circumstance.

Like all personal tax deductions you would need to provide proof of the expense and verify the proportion of the cost that is deductible.

EXAMPLE -

A home user who uses their home computer for managing their tax & financial affairs has previously verified with their tax consultant that 30% of the costs associated with the computer are tax deductible.

The home user has used Computer Troubleshooters during the year and spent \$300 in repairing the computer and has a tax invoice & receipt.

The owner can include the \$300 in their computer running expenses & gain a \$90 deduction of the costs (30%) in their 2008/09 tax return.

6

GET TAX ADVICE AND MAKE A PLAN

Often we wait until the end of the financial year to think about tax. This year why not be proactive and plan your tax outcomes in advance. With specific Federal Government programs available that must be committed before July 1 it is an imperative that to take full advantage you begin to plan now.

Why not take advantage of tax incentives and ensure your IT is up to speed

Talk to your tax advisor and your Computer Troubleshooters to find a tax effective IT plan for your circumstances.

EXAMPLE -

A Small Business turning over less than \$2 million a year decides to develop an IT plan with its tax advisor, they determine to bring forward a planned \$10,000 total network upgrade and appoint Computer Troubleshooters as their outsourced IT department for next year for \$6,000.

The business gains the \$3,000 rebate plus is able to reduce the 2008/09 tax liability by \$6,000 by prepaying the managed services contract for 2009/10.

Giving the business a financial boost for the 2008/09, but also having upgraded the IT infrastructure and outsourced the IT management they have reduced business continuity uncertainty and improved efficiency.

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