

Business Services - Common Problems:

Lack of tax planning and payment budgeting

The business has failed to budget for the payment of tax and is paying too much tax.

Indicators

- The business has insufficient cash to meet its tax liabilities.
- Tax instalments are becoming a greater proportion of a business's profit.
- The business is incurring penalties for late payment of tax instalments.

Causes of the problem

- Tax instalments have not been included in the business's budget for the period.
- Management is unaware of the timing and amount of tax instalments.
- Management has failed to implement tax effective measures to minimise the amount of tax payable.

Short term solutions

- Examine the possibility of obtaining short term finance to meet the current tax liability. The cost of this finance should be weighed up against the cost of late payment of the instalment.
- Determine the future instalments, their timing, and budget for them.

Long term solutions

- At the beginning of each financial period examine the possibility of implementing tax effective procedures; this may require the assistance of an expert.
- Before any significant expansion or change in the business takes place the different tax implications should be examined (this includes such taxes as land tax).
- Expected tax instalments should be calculated and included in the cashflow budget.

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