



Yeah, I know the business
is going well, but I'm still
paying way too much tax!

we have a
PRIME TIP
for you

Make Your Home Mortgage Tax Deductible

When a business is successful, one of the benefits often is that it enables the owners to upgrade their lifestyle and their home. Unfortunately, this usually results in the business owner being committed to a large, non-deductible debt.

The normal sequence of events is:

- the business becomes successful,
- that success gives the business owner the confidence to borrow significant amounts to purchase the home that they have always wanted. That leaves them with a large debt that needs to be serviced using the cash flow from the business.
- The business owner increases their wage from the business to enable them to fund the debt, and therefore increasing:
 - Their personal tax bill;
 - The company's workers compensation cost
 - The company's payroll tax cost
 - The compulsory 9% contribution to super

Converting the non-deductible home mortgage into a business debt, will save all of the above costs, and will make the debt the responsibility of the business to service. To successfully achieve this, it must be done right:

- **Create a new entity**, such as a discretionary trust, to purchase the shares in the business currently owned by the individual shareholders
- **Obtain a formal valuation of the business**
- **Borrow to buy the shares.** That new entity organises a bank loan to purchase the business at full market value.

- **Use funds from sale of the shares to pay out business owner's non-deductible mortgage**
 - **Reduce wage payable to owner, and replace it with dividends to the new entity.** This has the benefit of saving the increased personal tax, payroll tax and worker's compensation premiums payable by the business, and thereby provides a significant improvement in the cash-flow of the business
 - **Use dividends to service new entity's (deductible) business debt.** Because the new entity will have income in the form of franked dividends, and this will be offset by a deduction for the interest on the new loan, this will generally create a refund of tax, which further improves the overall cash flow
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Interested in how this can work for you ?

Contact Prime Partners on 9879 7005
(or email us at service@primepartners.com.au)

Advise us of:

- The current balance on your home mortgage, and
- Your estimate of the current value of your business,

and we will calculate the benefits for your specific circumstances, and explain it to you in detail in a complimentary consultation.



Prime Partners is a total financial services firm offering advice and strategies including Business Coaching, Tax and Accounting, Financial Planning, Risk Management, Self-Managed Super and Business and Residential Lending.

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