TAX BREAK ADVICE – FREE REPORT

Why being employed and earning a living by working for others is a bad idea. People that work as employees pay the highest taxes, now that may sound silly but it's true. You see as an employee you are not entitled to that many tax breaks.

Now we are not saying having a job is all bad, there are many people out there that love their jobs and that is great. But there is that saying that goes something like this, "you can't become rich by working for others" I believe that to be true. But of course, there are many that would argue and say that there are many employees that earn very high salaries and that would also be true. So being rich is determined by each individual, but you know what I mean 99.99% of people that work for companies will only ever be surviving, they will never be well off.

Many of us have grown up in the Industrial age, we were taught go to school, study further get a job, work for 40 years, go on pension and then you die. That is exactly what we did and what we got, not really a life full of abundance and excitement right.

The sad reality is that is still what we are teaching the children today. What did the industrial age do for us? Nothing, in fact, it created a lot of very poor pensioners.

The quickest way to change your current situation and improve your quality of life, without changing much or making a large capital investment.

Stay in your current job even if you hate it, start a home business.

Why your own business will change your life:

This is one of the easiest and quickest ways to see and feel a change in your life. It will allow you to start building wealth.

Having your own business will allow you to take advantage of some great tax deductions, which the salary earners may not claim.

This will also allow you to reduce your personal tax burden.

There are many people that see being in your own business and greed or something else.

It's really in the best interest of the country for as many people to have their own businesses as possible, as this will create employment for all those that are unemployed.

Starting your own home business is a lot simpler than you would believe. **We are not talking about** buying a building or renting space or offices here, we are talking about doing it from home. The business should require little capital and no other employees when you start.

Although if required you could employ someone to do all the work for you and still take advantage of all the tax breaks.

Tax Benefits are not related to the size of the business

Big or small you will still be allowed to benefit from the tax deductions.

Income Tax Act from section (11a): Operating expenses that are incurred in the generation of income may be deducted from your taxable income.

Therefore you are entitled to many new deductions.

Running a business

This is one of the simplest tax shelters to use.

One needs to prove that you are indeed running a business, there are few requirements to prove that.

- One must try to actively generate an income

Here are a few of the typical home based businesses that come to mind.

1. You could use a hobby, motor car repairs
2. You could offer a home repair and maintenance services
3. Consulting of any type
4. Commission based selling or service of any type
5. Manufacturing of some sort, baking, dress making etc
6. Bookkeeping for other companies

These all qualify as home type businesses and there are literally thousands more.

The business must make money, but it does not have to be profitable.
The total deductions can, therefore, be greater than the income. Obviously, if the business is profitable it's even better as you will have more income and therefore will be living a better quality of life.

The simplest and best way to start your new home business is to put the business in your name or the name of your spouse, for the best tax breaks. If the business is in your name, the business won't be regarded as a separate tax payer.

All the income and deductions for yourself and the business will be filled on your tax return. This way all the deductions from the business can be used to reduce your personal tax.

Some of the tax deductions you will be allowed to use

- A portion of you telephone account, cell, landline, and data

- Entertainment expenses, if you invite some friend over for a braai and you are telling them about your business and are asking them for support, the cost of the braai and drinks etc. are all tax deductible. You could take them out to dinner and do the same pitch, the bill is tax deductible.

- Vehicle expenses, fuel, insurance and maintenance on all the vehicles you use entirely or partially for the business.

- Refreshment costs during working hours, these could be at any time day or night.

- You can even deduct your children's pocket money, but they should have done something in the business to earn the money. Filing paper work, dropping flyers in post boxes, cleaning the office what ever.

- Membership and subscription fees to business magazines, training, and development etc.

- You can claim a percentage of home loan interest, water, electricity, home insurance and rates back as a deduction, this will be calculated on the percentage of the area of your home you are using for business purposes.

- You can also claim a percentage of the wear and tear on the motor vehicles. You don't need to spend anything extra on the vehicles you are already using and paying for their repairs etc.

- There are many other deductions, but when you get down to it you will realise how simple it is to legally claim most of your taxes back. You will curse the education system for not teaching you this.

It's far easier to understand how these deductions can benefit you with an example.

Mr. Jones has been running a part time home business for the last year as a sole proprietor.

The following is the breakdown of his income and expenses for his personal income and the business, remember you are taxed as one.

Home business – Commission for year		R23,200.00
Less:		R11,000.00
Purchases	R1,500.00	
Adverts	R4,500.00	
Fuel for business purposes	R5,000.00	
Cash Profit		R12,200.00 / yr

This would be an additional income R1016.00 per month in his bank.

1. He is using his dining room for an office as the family normally sit in the lounge and eat dinner. Mr. Jones has calculated that he is using about 16% of the home area for business, he uses that as the portion of the home expenses the business is to pay. His calculated that the business will be paying R16,800 for the year.

2. He has his daughter helping with admin and calling customer and he pays her R1,000 per month

3. He has spent R50,000 for the year, on functions held at home to create business

4. He used his own vehicle for business trips and business, the total cost was R75,000 including VAT for the year

5. The business usage amounted to 65% of the total kilometers used for the year on the vehicle.

6. Maintenance, licensing and insurance came to R19,780.00 for the year

Let's recalculate the profit for the business.

Actual profit for the year from above		R12,200.00
Less;		R83,844.50
Home office cost to business	R16,800.00	
Wages for daughter	R12,000.00	
Entertainment costs	R30,000.00	
Vehicle wear and tear – business use		
(25% p.a. x R75,000 x 65%)	R12,187.50	
Vehicle maintenance, License, and Insurance		
Business use (R19,780.00 x 65%)	R12,857.00	
Tax Loss		-R71,644.50

It is possible to have this loss deducted from Mr. Jones other income (such as salary or interest)

This would reduce his income and tax accordingly

An example of this would be that Mr. Jones earns about R500,000 per year salary, which would mean his PAYE tax is around 25%. That means he would have paid about R125,000 to SARS.

When he submits his tax return, he will be entitled to a tax rebate of about R13,000.00 and maybe a percentage of some other medical expenses he may have paid from his own pocket.

So let's say he can claim R15,000.00, SARS will pay him back the R15,000 rand.

But now he has a business loss of R71,644.50, SARS will deduct this from the taxes he paid and he should be getting a cheque for about R86,644.50.

That means Mr. Jones only paid R38,355.50 to SARS for tax.
This will work for anyone that keeps a good set of business financial records, it's really simple. I mean if I asked you would you like an R86,644.50 increase this year. What would you say? “What do I need to do for it”

In reality, you have had a lot more than that, because most of you other expenses have been paid for by the business.

This is not a get rich quick opportunity, it takes work, but it is the quickest and simplest way to improve your QUALITY of life.

Once you have this right, the doors to investment and other opportunities open to you.

For more great business and investment advice, please subscribe to our new email, thank you

If you are ready to look at a small business opportunity, that can help you achieve TAX breaks similar to the about example. Then click here and we will show you one that will blow your mind, there is no capital outlay or start up fee at all.