

Debt deadline nears

BUSINESSES should reclassify debts as bad before June 30 if they want to claim tax deductions on unrecovered income, debt collection agency Prushka warns.

If businesses miss the deadline they will be paying tax on income they are unlikely to receive. Many businesses will make the mistake of waiting until after the financial year ends to review debts they are owed, Prushka says.

Tax laws state that claiming a tax deduction for a bad debt requires a business to make physical efforts to treat them as bad debts before June 30. It is not sufficient to wait until preparation of accounts after the end of the financial year.