

Reaping benefits in the next tax year

With recent budget announcements and legislative changes, there are a number of areas in which brokers need to plan now to maximise their benefits in the coming financial year, according to Marc Peskett of Melbourne-based accounting and advisory firm MPR Group

Tip 1 Aggregate your capital investment purchases in batches of assets that are identical (or substantially identical) and in sets of assets, for the purposes of meeting the relevant new investment tax breaks. This way you will get over the \$1,000 value threshold for small businesses and over the \$10,000 threshold for large businesses.

Tip 2 Consider how the asset is financed. If the asset is acquired under a finance lease arrangement it will generally be the lessor that will be entitled to the tax break and not the business lessee. The lessor may pass on the tax break through reduced lease payments, but this will be subject to commercial negotiation and should be thoroughly investigated to see if there are savings to be achieved.

Tip 3 Review the timing for purchasing and installing an asset. For larger businesses the 30% tax break only applies to an investment commitment entered into after 12 December 2008 and on or before 30 June 2009, with the assets installed ready for use on or before 30 June 2010. Assets acquired after 30 June 2009 and on or before 31 December 2010 will only be eligible for the 10% break. Small business may be eligible for a 50% deduction on assets committed to between 13th December 2008 and 31 December 2009 and installed ready for use by 31 December 2010.

Tip 4 The R&D tax concession is the government's main incentive to increase industry's research and development, with its cash rebate a critical source of cash for many small innovative companies. Companies should consider their R&D investment and planning to take advantage of the concession. During 2009/10 the eligibility expenditure cap on this concession will increase from \$1m to \$2m. The increase is a transitional measure to extend the R&D tax concession cash rebate to a greater number of innovative companies before the proposed R&D tax credit comes into effect in 2010/11 and could significantly increase the cash rebate particularly for those companies eligible for the 175% premium deduction.

Tip 5 Conduct a general commercial assessment now rather than when you are well and truly into the next financial year. This includes analysing your financial performance, assessing your forecasts for the coming year to see if they are still current and realistic, and reviewing cash flow needs for the coming year.

Tip 6 Review the profitability of each of your product or service lines and the mix of your stock on hand at the end of the year. Discontinue unprofitable product and service lines, and with stock, consider disposing of slow-moving items through a sale and using the proceeds to free up cash flow to repay debt or invest in more profitable product lines.

Tip 7 Protect the most important asset of the business – your key people. Put appropriate strategies in place to ensure the business and personal interests are protected if an unplanned event were to occur. Some of the key issues to consider are whether business debts could be paid; if personal guarantees would be supported or released in an estate situation; if the business' credit standing would be maintained without one of the current owners; or whether sufficient cash flow is available to cover the business commitments.

Tip 8 Revisit your business strategy, and decide whether it needs to be adjusted to suit the current market. Also understand your key business drivers, assess the efficiency, viability and profitability of each and then ensure you measure these drivers along with your financial performance on a regular basis.

Tip 9 If you have an upcoming bank review, start preparing your documentation now to ensure you meet performance ratios and all other areas the banks assess. If you are going to need additional funds, commence the process with your lender early to limit the impact of cash flow pressure on the business (banks are lending more prudently and taking longer to assess loans).

Tip 10 Business owners should also take the time to think about their own wealth position as well as that of potential concessions for their company, and consider topping up their super contributions.



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Marc Peskett is a partner of MPR Group and a Chartered Accountant with over 25 years of experience in high-level business planning, taxation consulting and general accounting.

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