

PLANNING

BUDGET TAX BONUSES

Businesses should see their accountants for some valuable budget-led tax advice, writes Peter Switzer

EVERY year around now accountants put out press releases about last-minute tax ploys and the need to start tax planning for the next financial year.

Every year too many small-business owners ignore these calls to action, but this year it could be a more costly mistake than ever because of the recent federal budget.

The big one that every small-business owner has to get a handle on is the 50 per cent temporary tax break for a wide range of business goods purchased before the end of the year.

Marc Peskett of Melbourne accounting firm MPR says small and medium enterprises (SMEs) should focus on the investment tax break, the research and development tax concession and superannuation following the May budget.

"What many SMEs don't realise is that within each area of benefit there are a number of issues to consider if they really want to obtain maximum returns," he says.

"For example, within the investment tax break businesses can aggregate their investment in batches of assets that are identical, or substantially identical, and in sets of assets for the purposes of meeting the relevant new investment threshold."

Businesses with less than \$2 million turnover must spend \$1000 to get the 50 per cent tax break. Those with turnover of \$2m or more must spend \$10,000 to get the 30 per cent tax break, which ends on June 30.

Peskett also has some good advice. "Businesses should consider grouping similar investments to get over the \$1000 value threshold for small businesses, and \$10,000 threshold for large businesses, such as grouping the purchase of four \$300 printers providing a combined investment value of \$1200," he says.

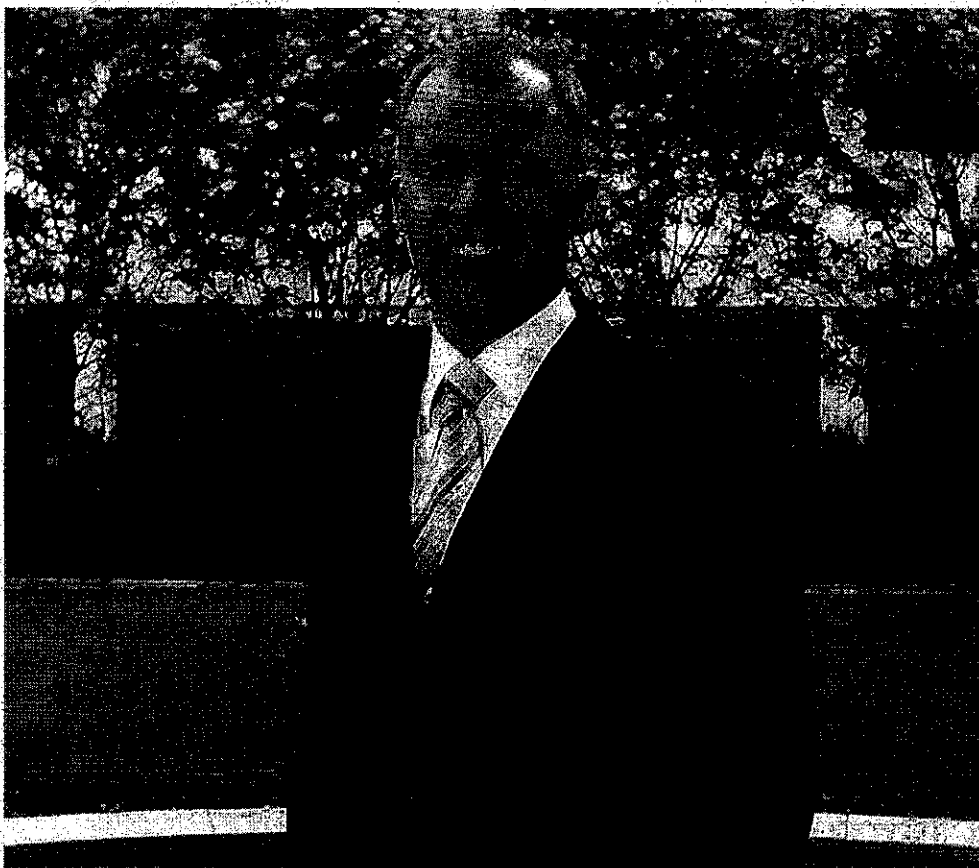
Another tricky point comes with leased business goods, such as a car. Who gets the tax break?

"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," Peskett says.

"If the lease payments are reduced, the cash-flow benefit of the investment tax break for the business lessee will be spread over the term of the lease, which may not suit the lessee if they are in a taxable position."

But wait, there's more. "Conversely, if the business lessee is in a tax-loss position, then leasing where the benefits of the tax break are passed on through reduced payments may be a better cash-flow option," he says.

Anyone thinking about the tax break should



Cut off: Don't miss tax deadlines, says MPR's Marc Peskett

Picture: Michael Potter

CALL TO ACTION

- Business can aggregate investments to meet the investment tax break threshold.
- Getting the tax break through reduced lease payments may be a better option.
- Remember, the R&D tax concession also comes with a tax rebate.
- November 30 is the cutoff date for the expanded export market development grant.

note the instalment date for bought business goods is December 31, 2010, for under \$2m turnover businesses, and June 30, 2010, for higher turnover businesses.

Anyone concerned about how the budget affects R&D tax concessions and superannuation should get to their accountant before June 30. If you don't, the consequence could be very taxing.

"To be eligible to claim the tax concession, companies must put an R&D plan in place before June 30 detailing their projects for next year and how they will be funded," Peskett says.

For small operators who have a commitment to R&D, there has been one cash approach that could cause some excitement.

The R&D Tax Concession comes with a cash

rebate, which will not only help cash flow, but should also prove to be an incentive for small innovative companies.

The June 30 deadline is critical for companies that have had three years of funding, as the fourth year comes with a promised 175 per cent deduction. This carrot disappears after 2009-10.

The budget also offers more support for the Austrade-administered Export Market Development Grant, which is one of the greatest incentives for small businesses to explore export opportunities.

Under the deal, if a business with turnover of less than \$50m spends a minimum of \$10,000 in the pursuit of promoting its goods or services as potential exports, it can receive a grant of up to half of the outlay.

And first-timers can combine two financial years of export promotion to make it to the \$10,000 threshold.

The cutoff date for submitting an application for the grant is November 30.

Finally, as the budget brought with it a halving of the concessional contribution caps for superannuation from July 1, it may be wise that the maximum contribution be made before the end of this financial year.

This year's effort from the federal Treasurer underlines the value of a business having a great accountant.

ATO offers free interest

Tony Kaye

SMALL businesses earning less than \$2 million that have a tax debt can now apply to have any interest charges waived for 12 months and also request deferred payment dates for their activity statements.

The measures, announced earlier this month by Australian Taxation Office commissioner Michael D'Ascenzo, have effectively thrown an extra lifeline to struggling small businesses that, due to cash-flow issues, are having problems in paying their taxes.

"While most small businesses are meeting their tax obligations, global conditions are having an impact, with over a quarter of small businesses carrying a tax debt," D'Ascenzo told a small business summit. "We've introduced the general interest charge-free payment arrangements and deferred activity statement payment due dates to help those small businesses that are struggling."

Council of Small Business of Australia chief executive Jaye Radisich says the ATO's latest decision is a step in the right direction.

"Both of the new initiatives are really good for small business because they recognise the importance of cash flow in small businesses right now, when the economy isn't at its strongest," she said.

"That is really appreciated by us on behalf of the small business community because so often we have well meaning government announcements made which don't really take into account the realities of day-to-day life in small business. This is a common sense approach by the tax commissioner, which we welcome, and recognises the importance of cash flow, and there's no net loss to the government or the Australian people."

Yet Selwyn Cohen, managing partner of chartered accounting firm Cohen Fasciani, says the move is also a smart play by the ATO to ensure struggling small businesses that apply for the waiver and statements extension commit to a tax-debt repayment plan.

"Over the next 12 months the tax office can now formalise a debt-collection scenario," he says. "They know that these people on the plan are going to lodge on time, pay on time, otherwise they lose their interest-free facility and everything then becomes payable."

Cohen says the changes are a good opportunity for small businesses to take an interest-free option over their debts.

"At least it's a positive carrot to put in front of a business to say 'pay it in 12 months and you're going to get it interest free'," he says.

"I don't think the tax office are trying to help us, but are doing it to try and help themselves. But then again, for businesses that are battling, obviously it gives tremendous support and opportunity. At the moment there are people battling all over the place, and they may lodge late, they may pay late."

"Why wouldn't you apply to the tax office to have whatever debt you've got paid off over 12 months if it's going to be interest free?"

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