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'the personal touch'

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Government Stimulus Package

Investment Allowance For Small Business

To boost business investment the Government is providing an additional \$2.7 billion temporary tax break to business owners.

Small businesses (with a turnover of \$2 million a year or less) will be able to access the tax break for assets costing \$1000 or more, while larger businesses will qualify for asset purchases costing over \$10,000. Tangible depreciating assets include most types of plant and equipment, vehicles and other assets that are used by the businesses.

Under the plan:

- Businesses will receive an additional tax deduction equal to 30% of the cost of qualifying assets that are acquired from 13 December 2008 to 30 June 2009 as long as the asset is installed and ready for use before 30 June 2010.
- For assets acquired between 1 July 2009 and 31 December 2009 the deduction is 10% of the asset's cost. The assets must be installed and ready for use before 31 December 2010.
- The tax deduction is on top of the usual asset depreciation deduction.
- The tax break will be available for new expenditure on existing assets as well as for new assets. The assets must be used in Australia.



Individual Tax Bonus Payment: Do you qualify and how do you receive the benefit?

The Federal Government has also announced that many Australians will receive a one-off tax bonus payment from April 2009. The payment is part of the Government's \$42 billion economic stimulus package.

The amount of the bonus will depend on your taxable income:

- A \$900 bonus will be paid to taxpayers with a taxable income up to and including \$80,000
- A \$600 bonus will be paid to taxpayers with income between \$80,001 and \$90,000
- A \$250 bonus will be paid to taxpayers with income between \$90,001 and \$100,000

To be eligible you must be an Australian resident and have paid tax in 2007/08 taking into account tax offsets and imputation credits. The Taxation Office has a tax bonus calculator that you can use on their website at www.ato.gov.au

Payments of between \$900 and \$950 will also be made to:

- Single-income families who on February 3, 2009 were eligible for Family Tax Benefit Part B
- Families who on February 3, 2009 were eligible for Family Tax Benefit A
- Farmers and others who receive Exceptional Circumstances related income support
- Students and people outside the workforce who are returning to study or training

To qualify for the cash entitlement you need to lodge your 2008 and any outstanding prior year tax returns by June 30, 2009. If you haven't lodged your tax return you need to contact us immediately for an appointment.

The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your trust.

Recession Proof Your Business

With all the recent media attention focusing on the possibility of the current economic downturn turning into a full-blown recession, it's time to spend more time working ON your business. While we don't have a silver bullet to recession proofing a business, over the next few editions of On the Money we will examine some characteristics of successful businesses. Following on from last edition where we looked at Improving the Quality of Your Financial Records, this edition looks at the importance of planning and having a cashflow budget.

2. Failing to Plan is Preparing to Fail: The Cashflow Budget

Historical financial data is important but you'll 'crash' the business if you drive it by just looking in the rear view mirror. Today's decisions will impact on your future results.

If you don't have a plan in place or prepare an annual budget then you are asking for trouble when the economy turns south. It's easy to get complacent during the good years but a budget creates a blueprint for the future that you can measure your actual performance against. Cash flow is usually the most common client concern, the most visible and therefore the most painful.



A cashflow budget can identify if and when you expect to need additional finance. While generally we prepare budgets at the start of each financial year, your budget is always a 'work in progress' under constant review. The banks are tightening their credit policy in the wake of the sub-prime lending crisis and planning the finance application is absolutely critical.

Cash is more often than not the reason why so many businesses fail and not necessarily the lack of sales. It is important to understand the difference between profit and cash flow. Profit is the result of trading activities over a given period while cash flow is required to keep the business running by covering operating expenses. For this reason it is important to manage and understand how the cash flows through your business.

Profits can't be spent until they are collected. It is obviously important to sell at the right price to maximise your gross and net profit but if you don't focus on collection, the business won't last very long. A positive cash flow is an absolute necessity if your business is to succeed and it just doesn't happen - it needs to be planned. That's why we strongly recommend the preparation of a 12 month cash flow budget. In fact, any business that fails to accurately forecast its cash flow is on a collision course because without realistic cash flow projections, management is unable to identify future cash shortages.

The cash flow budget is based on a number of assumptions regarding the expected future performance of the business. The assumptions must be realistic and supported by research, available data plus known facts such as rentals or forward contracts. The more detail in the budget the stronger the tool. The information in your cash flow budget is designed to:

- forecast your likely cash position at the end of each month
- identify any fluctuations that may lead to potential cash shortages
- plan your various taxation payments
- schedule any major capital expenditure, and
- provide prospective lenders with key financial information including loan serviceability



Being a financial tool, accuracy is important but this can be difficult with forecasting. We can assist you with the preparation of your cashflow budget using computerised spreadsheets that allow us to produce forecasts based on a number of 'what if' scenarios. If you would like a copy of an 'electronic cashflow worksheet' please contact our office. Some accounting software programs like Cashflow Manager can generate a budget using historical data at the click of a button. We can then monitor variances on a monthly or quarterly basis.

After you have completed your cash flow budget and you're confident that it actually reflects your predicted position, you should be able to identify if you're likely to need an injection of funds to support the business. Careful planning might let you restructure the timing of certain payments to prevent the cash shortfall occurring or you may need to have finance facilities in place.

If you have seasonal peaks and troughs in your cashflow, an overdraft facility, line of credit or business credit card could be the answer. These can be costly if used to fund debt in the long term or used to buy capital items such as equipment or cars. Try and match the life of the asset with the life of the loan. Long term assets should be funded using different types of finance such as a lease, chattel mortgage or business development loan. Speak to us about what's the best loan structure for you.

IMPORTANT DISCLAIMER: This newsletter is issued as a guide to clients and for their private information. This newsletter does not constitute advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas.