# News Bulletin

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**Accountants &
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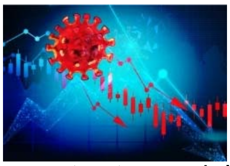
## SURVIVAL OF BUSINESS IN COVID-19 TIMES



The COVID-19 pandemic has brought with it unprecedented disruption to businesses with some business shutting down operations and many forced to operate at a much lower capacity.

To combat the effects of the virus, the policy makers have delivered historic stimulus and relief packages to support businesses, employees and job seekers during the COVID-19 pandemic. The measures included: -

- JobKeeper payment to allow businesses to continue to pay their employees
- Temporary cash flow support for small and medium businesses
- Wage subsidies for employers of apprentices and trainees
- Temporary relief for financially distressed businesses
- Relief for commercial and residential tenants
- Increased income support
- Early access to superannuation

In addition to the above, the state government also announced various measures to support businesses impacted by COVID-19, in the areas of Land Tax & Payroll Tax relief, $10,000 Business Support Fund and Commercial Tenancies Relief Scheme.

According to an Australian Bureau of Statistics survey on *Business Impacts of COVID-19*:-

1. two-thirds of businesses across all sectors reported taking a hit to revenue or cash flow due to Covid-19.
2. almost three quarters of businesses accessed support measures as a result of COVID-19. This included accessing wage subsidies (55%) and other government support measures (38%).

While accessing the government support measures has been important to businesses affected by COVID-19, beyond the government support measures, navigating the financial and operational challenges of coronavirus will present a huge challenge to most businesses.

For some businesses, to survive and prosper going forward, the new reality may require businesses to upgrade their competencies in investing in new technologies and adopt strategies to transform their businesses by reorienting operations, supply chain, finance and liquidity and its workforce.

In addition, now more than ever, a business reporting framework which facilitates decision making, is a must for every business wanting to navigate through this challenging period.

A reporting framework must at least include the following: -

**Business Plan/Budget -** A budget will highlight your cost structure, your gross margin, and the sales that you will need to achieve to run a profitable business.

**Profit and Loss and Balance Sheet –** this will give you an overall view of how the business is progressing and the state of the business at a given point of time. It's important that the budget is broken into monthly figures, and critically, is benchmarked to actual monthly results, highlighting variances which can be analysed and if necessary corrective action can be taken.

**Cash-Flow Reporting Systems** - Simply knowing what the profit of the business is, is not enough, unless profit can be translated to cash flow on a timely basis, the business may not survive.

**Key Performance Indicators (KPIs) –** a most important business tool, which complements reporting systems which only focus on historical financial results of the business activities, rather than the processes which make up the financial result.

By identifying the business key activities, and setting targets for those activities and then monitoring them on a regular basis, management will quickly identify any negative trends that may begin to emerge, and provide insights on how to increase productivity and profitability

If you require assistance in any of the above areas, please do not hesitate to contact your Team Member at **Kaias Phillips**.

## END OF YEAR TAX PLANNING STRATEGIES


With the end of the financial year almost upon us, for those businesses that have weathered the COVID-19 pandemic and are looking to minimise their tax, below is a list of some key areas that may assist in minimising tax.

### *Delaying the derivation of income*

A simple but effective tax planning strategy is for business owners to defer income: -

- Determine whether you have brought income to account in the correct year. Some income is brought to account on a cash basis (eg interest), while other income is brought to account on an accruals basis.
- Consider invoices to be issued in June 2020 and July 2020 and whether they are in the appropriate period.
- Determine whether income has been received or receivable in advance of goods or services being supplied or provided (ie unearned income amounts).
- Determine as to whether the amount is income or capital – income is generally fully taxable, whereas items of a capital nature are generally tax free or subject to the concessionally taxed Capital gains.

### *Timing of expenses*

Expenses are generally deductible if incurred by 30 June 2020.This requires: -

- Actual payment or a presently existing liability, and
- It must be directly related to earnings of Income. However, there are specific rules that determine when some expenses are deductible or not deductible.

### *Review your debtors*

Review your debtors and write off any unrecoverable debts. These debts will come off your income in the year in which you write them off, regardless of the year you invoiced them.

### *Pre-pay your expenses*

Pre-pay some of your expenses for the coming financial year while you're still in this financial year. This can be things like your rent, insurance, and subscriptions to any professional associations. Up to 12 months of the coming year's expenses can be deducted in the current tax year.

### *Take Advantage of the $150,000 Instant Asset Write-Off*

This concession was to end on 30 June and revert to the $1,000 threshold. However, the government has recently extended the $150,000 instant asset write-off by six months until 31 December 2020.

Under instant asset write-off eligible businesses can claim an immediate deduction for the business portion of the cost of an asset.

Instant asset write-off can be used for:

- multiple assets as long as the cost of each individual asset is less than $150,000
- new and second-hand assets.

However, it should be noted that: -

- in respect of motor vehicles that the instant asset write-off is subject to the car limit of $57,581 (for the 2019-20 financial year),
- the asset has to be installed ready for use (if not actually used by 30 June).

### *Empty the General Small Business Pool*

If the balance of a small business entity's general small business pool is less than $150,000 at the end of an income year that ends on or after 12 March 2020 but before 1 July 2020, then the entity can claim a deduction for the entire balance of the pool.

### *Contribute to your Super*

Superannuation contributions as well as reducing your income by being tax deductible, are also a valuable tool for building tax-effective wealth to secure a tax deduction for any concessional contribution for the year.

There are a number of ways in which Superannuation can reduce your tax:-

1. Contribute up to $25,000 in deductible super contributions each year.
2. If your spouse earns less than $40,000 per year, you may be able to make a personal contribution of up to $3,000 to your spouse's superannuation account and then claim a tax offset of 18 per cent up to $540 on your individual tax return.
3. Individuals with an adjusted taxable income of $37,000 or less will be entitled to a low income superannuation tax of up to $500.

For further information, please call your Team Member at **Kaias Phillips**.

Disclaimer: **-**