

# Get financially fit!

Any business with an aggregate turnover (i.e. turnover of the entity and any connected entities of less than \$2 million, excluding GST), may be eligible for a raft of government concessions. A good accountant can help you to take advantage of these opportunities.

#### What concessions are available?

##### DEPRECIABLE ASSETS

Depreciable assets, for example plant and equipment, (excluding motor vehicles) costing \$6,500 or less can be written off as a tax deduction immediately. Other assets are pooled and are depreciated at a flat 15% in the first year of purchase regardless of the date of purchase. The remaining balance is then depreciated at 30% in following years. This means that assets purchased in the second half of the tax year benefit from a higher tax write off in the first year than is available to larger companies.

##### WRITE-OFFS

There is an immediate write-off for the first \$5,000 of the cost of each motor vehicle costing more than \$6,500 bought from 1 July 2012.

##### TRADING STOCK

In certain circumstances small businesses do not have to account for changes in trading stock or conduct a year end stock take. This concession is available where the reasonably estimated value of trading stock at year end is within \$5,000 of the opening stock value at the start of the year.

##### PREPAID EXPENSES

Small businesses can claim an immediate tax deduction for

prepaid expenses incurred up to 12 months in advance, such as interest, insurance, rent etc.

##### ATO AUDIT

There is a potential reduction to two years from the standard four years that the ATO can audit and amend the small business's tax assessment. Certain high risk categories of taxpayer are ineligible for this concession.

##### CAPITAL GAINS TAX

Small businesses are eligible for the highly desirable capital gains tax (CGT) small business concessions without having to keep their net assets within \$6m. These concessions may reduce or eliminate any CGT liability on disposal of business assets and allow up to \$1.255 million (2012/13) of the proceeds to be contributed to superannuation.

##### GST TAX CREDITS

The small business can choose to apportion GST input tax credits for purchases that are only partly creditable (e.g. because of some private usage) on an annual basis. This can improve cash flow and reduce compliance costs as the full GST credit can be claimed on the monthly or quarterly BAS and then adjusted in a later BAS (and GST repaid) later when the annual tax return is prepared.

##### IMPROVE CASH FLOW

Small businesses can choose to account for GST on a cash basis, which may also improve cash flow if the business has a high level of debtors or defers collection of debts until the new financial year.

Small businesses can elect to pay GST by quarterly instalments, based on the previous year's GST

liability. This may also improve cash flow for growing businesses.

Small businesses can elect to pay PAYG instalments based on an estimated tax liability calculated by the ATO which takes into account the prior year tax and inflation. Small businesses with increasing profitability will obtain improved cash flow from this measure.

##### FRINGE BENEFIT TAX

There is no FBT on car parking provided to employees, provided the employee's car is not parked at a commercial parking station.

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New financial year's resolutions rarely make it into a second week, but making it your business to know about available Government concessions can help your business reduce tax, improve cash flow and lower compliance costs - now that's a resolution worth keeping!

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