

78%

of business owners are missing out ...



Are you taking advantage of the Government's \$20,000 - \$30,000 INSTANT asset write off this tax year?

As a business owner, you should (or at least your accountant should) be aware of the terrific initiative by the government to assist small businesses. But why are the majority of Australian small business owners not utilising this scheme and missing out on huge cash flow benefits?

According to a national survey conducted by Officeworks and H&R Block, 78% of small business owners lack full understanding of the tax benefit of this scheme and only 10% have sound knowledge of the types of assets that can be written off¹.

Therefore, it is not surprising that only half a million out of 2.3 million² actively trading small businesses in Australia have taken advantage of this tax break.

What is this scheme?

Currently, a small business can claim an immediate tax deduction for the business portion of each asset purchased in the 2018-19 financial year. As a small business owner you are entitled to write off depreciating assets valued up to \$30,000 per asset in one transaction.

NB: If your business is registered for GST, then the overall cost of the asset increases to \$32,999 as your business can claim \$2,999 as an input tax credit.

These rules apply to each asset costing less than \$30,000. Therefore, multiple assets could be purchased with each one entitled to a full tax deduction.

Rules and calculations

The instant asset write-off now also includes businesses with a turnover from \$10 million to less than \$50 million.

These businesses can claim a deduction of up to \$30,000 for the business portion of each asset (new or second hand), purchased and first used or installed ready for use from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020.

For individual assets that cost \$30,000 or more the general depreciation rules apply.

Businesses with a turnover of up to \$10 million can also claim a deduction for each asset purchased and first used or installed ready for use.

For purchases prior to this date different thresholds apply for small businesses as outlined in the table below.

Under these rules, if you purchased assets from 7.30 pm (AEST) on 12 May 2015 and first used or installed them ready for use:		
From 7.30 pm (AEST) on 12 May 2015 until 28 January 2019	From 29 January 2019 until before 7.30pm (AEDT) 2 April 2019	From 7.30 pm (AEDT) on 2 April 2019 until 30 June 2020
You can immediately deduct the business portion of most depreciating assets costing less than		
\$20,000 each	\$25,000 each	\$30,000 each

Example 1: Assets purchased before a change in threshold

Matty is an electrician and his business required a new van to help expand his services.

Matty purchased a van for \$23,500, which was paid for on 18 January 2019. Under the terms of the contract, delivery for the van was on 30 January 2019.

The van was not ready for use until after 29 January 2019 when the threshold increased to \$25,000. Matty is able to claim the entire cost of the van as part of the instant asset write off in his 2019 income tax return.

If the van had been delivered before 29 January 2019 and he started to use it at the time of delivery, he would not have been able to write off the van immediately.

If Matty purchased three new vans he would be able to claim the instant asset write off for all 3 vans (ie up to \$90,000 combined value).

Business use vs private use

Do note however that some rules apply. For example if Matty purchased the van and wants the cost to be claimed under the scheme but the van is only used 70% for work and 30% for personal use, only 70% of the cost can be claimed.

“It is important to review the general inclusions and exclusions on the ATO website or seek advice from your tax specialist.”

Benefits of this scheme

The most significant benefit is the huge boost to business cash flow. The scheme brings forward tax deductions in the same financial year which in turn will help boost small business activities that may have otherwise been hard.

It has been put in place to encourage business owners to reinvest in their operation and services to ensure they have assets that suit their business needs for growth.

How can we help?

Not every small business has a spare \$30,000 cash or more to invest in assets to take advantage of these initiatives.

If you seek to reduce those huge up-front costs and avoid using your existing capital, as your finance specialist we can help by exploring finance options for you that can help you invest in your business and your assets.

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Does this suit all small businesses? Every small business is different.

What is important to note is that you are the expert in your business and we specialise in business and asset finance. We ensure you are equipped with the best advice and solutions for your business.

Have a conversation with us before the end of the financial year and before you head off to purchase your next asset - firstly to ensure you are well positioned to service the finance and secondly to plan for your return on investment.

We understand that cash flow is the heart of any business and it needs to be well looked after.

To find out more about the different methods of depreciating business assets, or claiming the INSTANT asset tax write off, visit the [ATO website](#) or call our office TODAY.

Reference:

1 Mybusiness.com.au

2 Abs.com.au



MONTHLY BUSINESS SUCCESS TIP

Do you have the winning business formula?

Running your own business and establishing a winning formula for success isn't easy to replicate, otherwise everyone would be doing it. But with a focus on 11 practical steps, you CAN reach your business goals.

Call the office to receive our 11 tips for running a successful small business

DO YOU HAVE THE WINNING BUSINESS FORMULA?



11 tips for running a successful small business

Owning your own business and establishing a winning formula for success isn't easy to replicate, otherwise everyone would be doing it. But with a focus on 11 practical steps, you CAN reach your business goals.

Australia is a nation of small businesses. In fact, 97%, or just over 2.3 million, of all businesses are small (less than 19 employees) and just 2% are small to medium. Small business also employs more than 50% of Australia's population¹.

So I guess you could say small business counts!

No matter the size, all businesses aim to improve their products or services over time. After all, in this rapidly changing world, if you don't adapt and improve your product or service you will very likely fail. Even in the big end of town, global giants fail.

Home movie and video game rental giant Blockbuster employed 84,300 people and had over 9,000 stores at its peak. It passed up the chance to buy Netflix that now has 139 million subscribers globally. Unable to transition towards digital, Blockbuster filed for bankruptcy in 2010.

But back to small business... success is not always about going 'big' and certainly not always about using more or better technology. Sure technology can create efficiencies, but some of the 'softer' sides of business are just as important.

According to a survey of successful Aussie entrepreneurs², some of their keys to success have been:

- using a business coach, mentor or seeking advice from others (but only if it feels right for your business)
- focussing on your businesses strengths
- fostering innovation
- having a culture of honesty
- respecting your customer
- staying ahead of the curve
- focussing on a product and doing it well
- watching what competitors are doing and doing it even better



Here we share our checklist of 11 practical tips to business success:

1 Write and update your business plan - set goals and track them
As they say, "Fail to plan and plan to fail". Ideas are great, but business is about execution. To execute, you first need a plan that includes goals, milestones, timing and measurement. It doesn't have to be overly detailed or onerous - you don't need a 50 page business plan. A simple one page plan can suffice.

2 Keep financial score – monitor your cash flow
Your business could thrive or fail based on your cash flow. Like our personal finances and budgets, we should also have a business budget. Make calculated estimates on what your costs are going to be each quarter. Then, based on your experience, project your quarterly outcomes. You should be regularly monitoring your sales and costs to avoid surprises. Have a monthly meeting with your finance manager (or yourself if you are a sole trader) to see how you are tracking each month.

3 Know the market - keep your eye on your competitors
Take time to understand who your competitors are and what they are offering. A business SWOT analysis can help uncover some of the answers.

4 Focus on customer service – build word of mouth business
Treat your customers with courtesy and interest, listen to customer complaints and adapt any changes to improve your service. Word of mouth and positive online reviews are important in this highly digital society.

5 Control business costs – protect your profit
Improve your profit margins by carefully managing costs. Review direct costs including wages, materials and operating costs such as overheads and production. Be mindful of cutting business costs at the expense of quality!

6 Build your online presence – almost everyone is online
A well planned and executed digital and communication plan will increase awareness amongst your audience regardless of your business type. 18 million Australians are active social media users³ and 45% of us research products or services online before purchasing⁴.

7 Use technology – to create efficiencies
Whether it is a project management tool or automating your online responses to customers, technology can help make your business more efficient and improve your customer service. Having your accounting system online creates business efficiencies like never before. Look into that one and chat to your accountant if you are not online yet!

8 Find the right employees – to drive business performance
Happy staff builds better relationships with customers, provides more knowledgeable service and puts your company's best foot forward.

9 Seek advice – you can't always do it alone
There are many government and private groups that provide advice and services outside your own skillset. Additionally, business coaches or mentors can help bring an external perspective. Make sure you check their credentials and ask to speak to some referees before you engage them.

10 Protect your business – ensure sound business practices
Ensuring your business meets its regulatory, tax and employee obligations is vital to success. Putting appropriate insurances in place for your business is important. Insurances you may not be aware of are key person insurance and business interruption insurance. A popular one now for anyone using technology for their business (most of us) is cyber insurance.

11 Stay healthy – wealth and success are useless without good health
Small business owners face a range of unique challenges. It is important to look after your own health and that of your team. Staying active, eating healthy and taking time out is key to staying mentally and physically fit to manage your business.

We hope some of these tips will help your business to not only survive, but also to thrive. Start planning and actioning today!

As your business finance specialist, you are always welcome to call us at any time for a review of your business finances to see if there are ways we can help your cash flow.

1. ABS Counts of Australian Business.

2. Business Insider Australia, The best advice from 26 successful Aussie entrepreneurs for small business owners.

3. We are social, Digital 2019.

4. Roy Morgan, The state of Australia's \$37.8bn online shopping landscape.