

CASH FLOW SAVINGS FOR BUSINESSES

December 2010 Quarterly Business Activity Statements (BAS) are due on 28 February 2011. With this in mind we have prepared this newsletter highlighting some potentially important cash flow savings available for businesses.

Delay paying your BAS amount

The Australian Taxation Office (ATO) have advised they will automatically grant extensions of time to lodge December 2010 quarter BAS for businesses in flood affected suburbs from 28 February 2011 until 28 March 2011. The extension applies to lodgement and payment.

To view the list of suburbs please refer to the following link:

[Natural Disaster Affected Areas](#)

Even if you are not located within one of the flood affected suburbs, if you are a small business operator (<\$2 Million turnover), you may be able to apply for an extension to pay the amount due on the BAS (you should still lodge the BAS on time).

The ATO have also extended their interest free payment plan offer until 30 June 2011. This means that in addition to the above extensions, businesses can negotiate with the ATO to pay off their BAS debts over 12 months on an interest free basis.

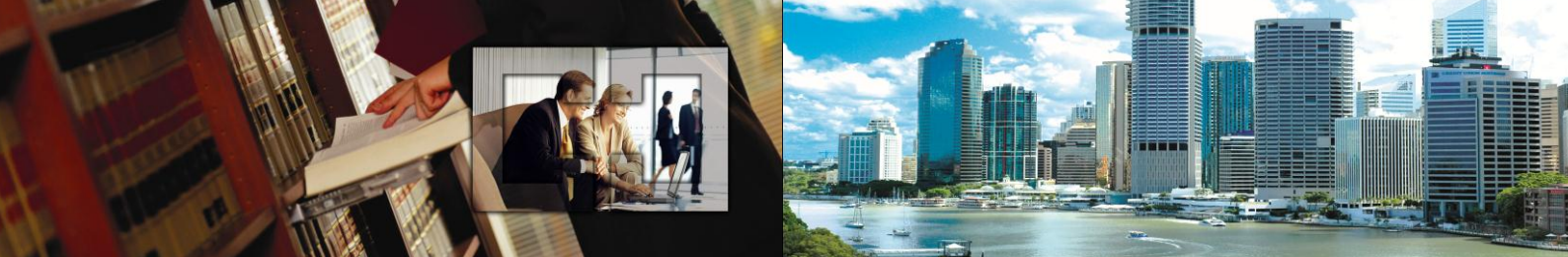
Please contact us if you would like a further extension to pay or lodge your activity statements.

Why pay tax when you do not have to? – Consider varying your PAYG Instalment

If your activity statement includes a PAYG Instalment (quarterly income tax instalment), we recommend you review your income and likely tax position to date and consider whether these instalments are still appropriate. The ATO sets the amount of fixed instalments based on the last income tax return lodged. If your taxable income for this year is likely to be less (through reduced income or increased expenses), we recommend you vary the instalments down to a lower amount (possibly nil). This will have a positive effect on your cash flow.

Caution should be applied when varying these amounts because penalties can apply where the year end tax liability is greater than the varied PAYG instalment amounts by more than 15%.

Even where income has not decreased, depending on your circumstances, you may also be able to vary your PAYG instalments to nil via some strategic planning. Please contact us to see if this may apply to you.



Destruction of assets due to natural disaster

Where you have been the victim of a natural disaster and plant and equipment or buildings have been destroyed, the balance of the written down value of the equipment, or the balance of the capital allowance remaining on the buildings can be claimed as a tax deduction. This may be a valid reason to reduce your PAYG instalments.

While a deduction can be claimed for the balance of written down value of equipment, any insurance proceeds will be assessable income.

To the extent that insurance proceeds are received to replace a capital asset (non-depreciable asset) such as a building, a capital gain or loss may arise on receipt of the proceeds. However, there is specific capital gains tax roll-over relief available where you spend the insurance proceeds to purchase a replacement asset within one year of the destruction of the asset.

Please contact Jamie Towers or your usual Hanrick Curran representative if you have any questions or require assistance in this regard.

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