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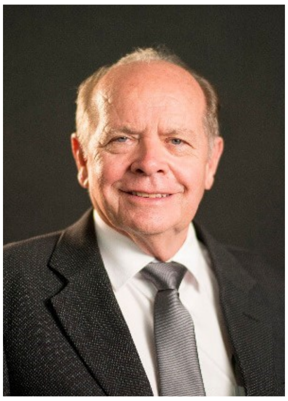
A BRAVE NEW WORLD

A Message to Our Clients

With Andrew Morris, Business Advice Manager



2021 has kicked off with big events that will, to some extent, influence the financial future of most Australians. We will all be monitoring how China tensions influence the economy, and watching the USA to observe the effects of newly sworn-in USA President Joe Biden's massive US$1.9 trillion stimulus package, as our dollar rises and falls against the US$.

Australia is in a recession for the first time in 30 years. Going forward, navigating inflation, high unemployment rates, and the tapering off of relief measures will continue to prove challenging on the home front. The best advice we can give our small business clients going into 2021 is to get on the front foot with managing cash flow. Cash flow is the lifeline of any small business. Find ways to unlock capital or find the right funding, and make the tough decisions before they are forced on you.

"Never before has your relationship with your accountant been more important," says Andrew. "We can help you prepare cash flow forecasts and understand different scenarios for your business, which plays a big part in how you can weather a crisis, and allows you to plan ahead, to meet short-term challenges, and take advantage of arising opportunities."

We are Hiring!

Due to our growing client base, we are actively seeking a Senior Accountant to join our team. The ideal candidate will hold CA/CPA qualifications, and have 5+ years' experience in Australian Public Practice. This is a client-facing management role with exciting career growth opportunities, and we are offering an attractive salary package with the ability to share in company profits and earn bonuses, and relocation expenses up to $5k. This role can be based in Gladstone or Rockhampton.

Do you know somebody who would be interested in this opportunity? Please feel free to share this information, or get in touch with our team. Confidential applications can be emailed directly to andrew@soundbridge.com.au

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GAT Team Updates:

There have been a few changes since our last newsletter, so here's a rundown of our team:

Welcome Joanne Leaver, Administrator

We welcome Joanne Leaver to the GAT team in the role of Administrator. Joanne has over ten years' experience in Administration, holds a Diploma of Business Administration and is currently studying a Bachelor of Accounting/ Business. In addition to her administrative duties, Joanne is taking on accounting work under the mentorship of Kathy, our Senior Accountant. We are very excited to have Joanne on board.

Andrew Morris, Business Advice Manager

Andrew was Principle at Moore Stephens QLD Ltd Accountants, where he worked for 15 years. He also holds a Diploma in Financial Planning, and brings with him over 37 years' experience in Wealth Management, having worked with both AMP and AXA in senior adviser management roles. Andrew is consulting with our team to continuously improve our client service offerings and tax efficient strategies.

Kathy Stanley, Senior Accountant

Kathy is CPA Qualified and has a Bachelor of Commerce Degree. She has been at HCAQ for over 4 years, and has over 25 years' accounting experience. Kathy plays a key role in the preparation of income tax returns for individuals, companies, partnerships and trusts, and the provision of advice to our clients.

Nat Hurworth, Bookkeeper

Nat has a Certificate IV in Bookkeeping and a Diploma in Accounting. She has been a key member of the Team at HCAQ for over 13 years. Nat manages our full range of bookkeeping and payroll services and is responsible for providing regular, up to date information for clients for BAS lodgement. Nat also does training for our clients on bookkeeping, payroll, and online accounting applications.

Jolan Lester, Accountant

Jolan holds a Bachelor of Accounting, has a strong accounting and taxation background at local accounting firms and within her own family business, and is now supporting Kathy with accounting duties. Jolan joined us in January 2020, and is ideally positioned to understand accounting and taxation from both a professional point of view, and from the perspective of SME business owners.

Utilising the $150,000 instant asset write-off without incurring additional expenses

The increase in the instant asset write-off ('IAWO') threshold to $150,000 was primarily introduced as an economic stimulus measure to support business investment to assist in short-term economic growth and to encourage a stronger economic recovery following the COVID-19 pandemic. Unfortunately, many small businesses were not in a financial position to make any new investment in depreciating assets.

Despite this, cash-strapped businesses using the SBE simplified depreciation rules are still able to take advantage of the increase in the IAWO without having to spend any money! More specifically, any SBE whose low pool value balance on 30 June 2020 was less than $150,000 can claim a deduction for the entire pool balance, irrespective of whether they have acquired any assets as a result of the IAWO threshold increase. A similar (and potentially more advantageous) opportunity may also be available for the 2021 and 2022 income years, as a result of the new temporary full expensing provisions.

Additionally, SBEs who have not yet chosen to use the simplified SBE depreciation regime may also access accelerated depreciation as a result of the increase in the IAWO threshold on 12 March 2020 (or the new temporary full expensing provisions applicable to the low value pool) by 'opting in' and establishing a general SB pool for the 2020 income year.

Five Ways to Manage a Healthy Cash Flow

With Jolan Lester, Accountant

We cannot stress enough the importance of properly managing your cash flow to ensure the smooth running of your business. However, in times of crisis such as the ongoing COVID-19 pandemic, this becomes more than important–managing your cash becomes a necessity for survival.

If you are experiencing cash flow troubles, here are five things you can do to manage your cash flow better.

#1 Check your expenses: Now is the perfect time to review where your money is going and check which expenses can be minimised or eliminated completely. Re-evaluate your expenses and decide which ones are essential and should stay, and which ones can be trimmed down or cut altogether.

#2 Negotiate your debt: Initiate a discussion with your lenders if interest only or deferred payments on outstanding debts is possible.

#3 Reduce your rent: There are some government-backed rent assistance schemes which subsidise a portion of your rent and/or require landlords to waive part of it. Aside from this, you can further reduce your rent by checking if it makes business sense to move to a smaller space, close down other offices or stores that are not performing well, or move to a more affordable commercial space within your budget.

#4 Request for more flexible payment options: It never hurts to ask, especially if you've been transacting with your vendors for a long time and you've established a certain level of mutual trust and confidence. You can request more flexible payment options or longer payment terms.

#5 Tap into available credit lines: Take advantage of available lines of credit and place the funds in interest-bearing accounts.

Assessing your cash flow is fundamental to gaining a better understanding of your business' financial health. As cash flow experts, we can do your monthly, weekly, or even daily cash flow statements. This gives you visibility on where your cash comes in and goes out to, as well as allows you to plan ahead.

Deferrals of Interest due to COVID-19

Many lenders have recently allowed borrowers with investment property loans to defer repayments for a period of time.

While repayments are being deferred, interest (and fees) will usually be added to the loan balance (i.e., the deferred interest will be capitalised). However, it is important to recognise in such situations that, while repayments are not being made during the relevant period, borrowers continue to 'incur' the interest during that time. Further, interest will continue to be calculated and will accrue on both the unpaid principal sum of the loan and the unpaid (i.e., capitalised) interest. The interest that accrues on the unpaid or capitalised interest is referred to as 'compound interest'.

Importantly, the ATO has previously acknowledged that the principles governing the deductibility of compound interest are the same as those that govern the deductibility of ordinary interest (including capitalised interest). That is, if the underlying, or ordinary, interest is deductible, then the compound interest will also be deductible.

Accordingly, interest expenses (including any compound interest) will generally be deductible to the extent the borrowed monies are used for income producing purposes (such as where the borrowed funds are used to purchase a rental property). However, interest on a loan will not be deductible to the extent to which the borrowed funds are used for private purposes (e.g. to purchase a home, a private boat, or to pay for a holiday).

However, borrowers who have incurred "penalty interest" in recent times should be aware that, despite the name, it is not "in the nature of interest" and, in some cases, may not be deductible (e.g. due to the expense being capital in nature).