

BusinessPlus+ Newsletter

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Issue – June 2020

Happy End of Financial Year - 2020! Best Wishes for 2020/21!



Early Stage Innovation Company Report On Shares Issued

Companies are required to complete an Early Stage Innovation Company Report if they issue new shares to one or more investors during 2019/2020 that could lead to an investor being entitled to access the Early Stage Investor Tax Incentives. The report must be submitted to the Australian Taxation Office by 31st July 2020.

Instant Asset Write Off

If your business has an annual turnover of less than \$50 million, you can write off expenditure on individual items acquired in the period 1st July 2019 to 11th March 2020 up to an individual value of \$30,000.

If your business has an annual turnover of less than \$500 million you can write off expenditure on individual items installed and ready for use by 30th June 2020 up to a value of \$150,000 for an individual item.

On the 9th June 2020 the Federal Treasurer announced that the Instant Asset Write Off for individual components of up to \$150,000 would be extended from 1st July 2020 to 31st December 2020.

From 1st January 2021 the Instant Asset Write Off amount reverts to \$1,000 per individual item for businesses with turnovers of less than \$10 million per annum.

Research and Development - "Overseas Finding" Application

If your company conducted research and development activities overseas in 2019/20 and you haven't yet applied for an "Overseas Finding", you need to lodge a "Provisional Advance" by 30th June 2020 and complete the registration application by 30th September 2020. The normal date for lodgement of the "Overseas Finding" would have been 30th June 2020 but this date has been extended because of COVID-19.

The minimum details required in a "Provisional Advance" for an Overseas Finding Application are:

- company contact details
- descriptive name/title of claimed research and development activities

If you have conducted research and development activities during 2019/20 and you have some questions, please don't hesitate to contact the accountant in our organisation with whom you normally deal.

Preparation of Finalisation Declaration - Single Touch Payroll

If you are using the Single Touch Payroll (STP) you'll be exempt from issuing payment summaries to your employees if you have made a "Finalisation Declaration". The Finalisation Declaration requires the employer to declare that all of the information relative to the financial year for each employee has been provided through your STP reporting. Finalisation Declaration lodgement requirements:

- Employers with 20 or more employees – by 14th July 2020.
- Employers with 19 or less employees – by 31st July 2020.

Not Using Single Touch Payroll (STP)?

If you are not using Single Touch Payroll (STP) payment summaries have to be prepared and sent to all employees by 14th July 2020.

PAYG Withholding Tax - If You Are Not Using Single Touch Payroll (STP)

If you are not using Single Touch Payroll (STP) – the annual summary is due to be lodged with the Australian Taxation Office by 14th August 2020.

COVID-19 Fourth Stimulus Package

The Federal government's recent announcement relating to the fourth COVID-19 Stimulus Package should assist the building and construction industries and some tradie businesses. The \$25,000 grants are available to eligible people who are building a new home or renovating an existing home. Applications for the grants are now open with the closing date for applications of 31st December 2020.

Coronavirus SME guarantee loans

A reminder that these loans are available from banks and other financial institutions until 30th September 2020.

The loans are for a maximum of \$250,000 unsecured repayable over a three-year period. The Australian government is guaranteeing 50% of the loan amount.

The funding for these loans was made available by the Reserve Bank to the trading banks on the understanding that the banks would utilise their usual lending criteria for these loans. This means that you'll probably require a business plan, budgets and cashflow forecasts, together with financial accounts for 2018/19 and interim financial accounts to 30th April 2020.

If you would like our assistance in the preparation of the loan application, can you please contact us at your earliest opportunity so that the necessary supporting documentation can be prepared for submission to your nominated bank.

JobKeeper Program News

"The JobKeeper Support Program will be terminated for the childcare industry from July and is to be replaced with a different type of support package for a limited period". Federal Treasurer, Josh Frydenberg.

"The government has announced that an in-depth review of the JobKeeper and other COVID-19 support programs is being undertaken and that a report will be released around 23rd July 2020". Federal Treasurer, Josh Frydenberg.

These types of developments highlight that there are going to be significant changes in the current support programs being offered with the government continuing to say that, except for some specific industries that need additional assistance, the intention is that the JobKeeper Program and "boosting cashflow for employers" will close on 30th September 2020.

This highlights the urgency for business operators to be reviewing finance and business operation alternatives to ensure that your business will be able to navigate the difficult business conditions that are expected to prevail post 30th September 2020.

What Is Your Vision For 2020/21?

It is fairly obvious that there is going to be a lot of challenges in 2020/21.

What do you think these challenges will be for your business relating to:

- Your team?
- Your leadership team?
- Customers?
- Suppliers?
- Your landlord(s)?
- Your bank?
- Debtors' investment and debtors' days outstanding?
- Inventory investment and stock turn?
- Government grants?
- Will your selling prices, or charge out rates, enable your business to generate the profit that you envisage?
- Funding for your business? – Owners loan funds? – Borrowing from friends and family? Trying to raise capital from the public?
- Leadership team – daily discussions – weekly reviews – monthly meeting?
- Team meetings – daily huddle – weekly review?
- Team training?
- Business review meeting attended by members of the leadership team with your accountant to review all aspects of your business performance?

These are some of the issues considered in the development of a strategic plan for a business, together with budgets and cashflow forecasts which are the financial prescription of what the strategic plan indicates.

2020/21 is expected to be a very difficult challenge for most small businesses and medium-sized enterprises. If you'd like to have a discussion with us relative to a business review meeting being held to consider these matters and probably some others which we could then formulate into the strategic plan for your business including budgets and cashflow forecasts for 2020/21, please don't hesitate to contact the accountant in our organisation with whom you normally deal at your earliest opportunity.

Research and Development

Thousands of business owners and team members have been working from home for the last 2-3 months and may have given some thought to the development of new products, processes or services or be undertaking some initial research and development. If you're one of those people and you're wondering whether you should continue to work on this particular idea to see whether a commercial product or service could be developed and what would be the taxation deduction for the expenditure that you have spent, you will probably be interested in a brief overview of the Australian government's Research and Development Incentive Scheme.

You have to be conducting your research and development activities via a company if you're going to access the research and development tax incentive.

There are two key components relating to the Research and Development Tax Incentive:

- For companies with turnovers under \$20 million - a 43.5% refundable tax offset.
- For companies with turnovers over \$20 million - a 38.5% non-refundable tax offset.

The minimum expenditure on complying research and development activities is \$20,000 in the financial year irrespective of the number of projects and whether the research was successful or not.

Companies have to register their research and development projects with AusIndustry annually, normally by 30th April the following year (i.e. for the year ended 30th June 2019 companies would normally have had to register by 30th April 2020) or the date of lodgement of the company's income tax return, whichever is the earlier. (This year the registration deadline has been extended to 30th September 2020 because of COVID-19).

To claim research and development expenditure so that the offset will be allowed, companies must be able to justify that they have undertaken "experimental activities" to prove that their "idea" is "new knowledge".

The outcome of the experiments could not have been known or determined in advance on the basis of publicly available knowledge, information or experience. The company needs to be able to indicate the research that was undertaken to determine the "knowledge gap".

There needs to be some searches undertaken to determine whether the concept that you're proposing is already known in the marketplace.

You then need to conduct a series of experiments that prove a "statement" relating to your concept.

Formal documentation of the experiments that have been undertaken (both successful and unsuccessful) also need to be maintained.

If you are interested in obtaining more information on the Research and Development Incentive Scheme, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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