

CARDELL NEWSLETTER



DAIRY FARMERS

Cash Flow Planning for Dairy Farmers.

A significant number of our clients are dairy farmers and as with all industries, changes in cash flow will have a great impact on the running of their business. We have outlined below some changes in the dairy industry which will affect cash flow.

Dairy Structural Adjustment Program

The Dairy Structural Adjustment Program (DSAP) was introduced for the 2000/01 financial year and is due to expire in the 2007/08 financial year. This means that the current financial year will be the last year where payments are made under that scheme.

Milk Prices and Step Ups

Milk prices have increased after the 2007 decrease. However the seasonal step ups are yet to be confirmed.

Interest Rates and Fuel Prices

A further increase in interest rates may occur this quarter. The level interest rates have reached in the last 2 years now have a significant impact on the cash flow of most industries. The same can be said for fuel prices but unlike the interest rates, fuel prices are not likely to plateau.

Grain Prices and Availability

According to Dairy Australia the Melbourne Grain Prices surged at the end of 2007. Although now on their way down, they remain high com-

pared to previous years. The impact the drought has had on stock feed prices and availability must be recognised as one of the major challenges for our farming community.

Cash Flow Planning

As indicated above there are changes in the dairy industry which may increase or decrease the cash flow for a farmer. Good cash flow management is a key determinant of a business's financial health. Excess cash flow may be put towards superannuation or held in farm management deposits. From an accounting and taxation stand point excess cash should always be made to work for you; not against you.

Contact us for options and assistance.



**Chartered
Accountants**

Accountants

- Bob Cardell, FCA
- Barry Hughes, CA
- Marcus Bond, CA
- Lynne Nicholas, MNIA
- Rebecca Bond, CA
- Elizabeth Holligan, BComm

Staff

- Connie Butterfield
- Glenda Davis
- Amanda Davis
- Stacey Sargant
- Tracey Hunt
- Celina Roberts
- Anne Yeates



**Have you lodged
your tax return?**

PAY AS YOU GO

2 Instalment Option

Many farmers take advantage of the so-called 2 Instalment Option where payment of the first 2 quarters are deferred to the 3rd quarter. This means that 75% of the annual PAYG liability is paid in the March quarter and the remaining 25% in the July quarter.

This year these payments are due by 28th April, 2008 and 28th July, 2008.

As a general rule we recommend that you pay the amount as printed on your Instalment Activity Statement. However if you feel this amount does not reflect your current taxation situation, you should contact



our office 2 weeks prior to the due date and arrange for us to vary your PAYG instalment amount on the basis of an estimate of your annual PAYG liability. Once the due date has passed, the instalment amount cannot be varied, and if unpaid General Interest Charges may accrue.

TAX 2007

Lodgement Due Date.

For most of our individual clients the last date to lodge an income tax return is **15th May, 2008**. However in order to complete your tax return in time, we ask that you bring in

your documentation as soon as possible. Tax returns lodged after their due date may be subject to penalties and general interest charges.

Note that earlier lodgement dates may apply to other entity

types such as Trusts, Companies and Super Funds.

If you are unsure of your lodgement date or of whether you have to do a tax return, just contact our office to discuss your situation.



SMALL BUSINESS TAXATION RELIEF

Tax changes affecting small businesses.

From 1st July, 2007 changes to the legislation has been enacted to make it easier for small business to access a number of existing concessions covering various areas of tax; most important of which are Capital Gains Tax (CGT) and Goods and Services Tax (GST).

In order to be classified as a small business entity and take advantage of these concessions, the business turnover must be less than \$2 million.

Businesses with turnovers of \$2 million or more can still access the CGT concessions if they satisfy the net asset test. This net asset test is now increased from \$5 million to \$6 million. However, additional conditions and rules apply.

Capital Gains Tax

The concessions to CGT are:

- the 15-year asset exemption, which exempts an active asset 15 years or older from attracting capital gains tax when sold
- the 50 per cent active asset reduction, which reduces the capital gains by 50% if the asset is an active asset that is owned by the business and used in carrying on a business
- retirement exemption, which provides an exemption of up to \$500,000 on a capital gain used for retirement and finally
- roll-over provisions, which allows for the amount of capital gains to be reduced by the amount spent on a replacement active asset .

These concessions have been described in very basic terms and additional rules and conditions may apply. We recommend you request us to review your position prior to and after

disposing of assets that may attract capital gains tax.

Goods and Services Tax (Figures quoted are GST exclusive)

One of the key GST changes that apply from 1st July 2007 is an increase in the GST registration threshold from \$50,000 to \$75,000 for businesses. In addition GST can be reported on a cash basis provided the annual turnover is \$2 million or less.

The increase of the GST registration threshold means businesses that have a turnover of less than \$75,000 will have the option to either cancel their GST registration (note: they would then be ineligible to claim fuel tax credit claims), choose to report and pay GST annually or continue with their current GST arrangements.

Another key change is to the tax invoice requirement which means that a valid tax invoice is no longer required in order to claim GST credits for busi-



Tax changes to help small businesses

ness purchases of \$75 or less. It is also no longer a requirement to issue a valid tax invoice for sales made up to \$75. As a result, the threshold for withholding from a supplier that does not provide an ABN has also increased from \$50 to \$75.

Along with these new changes, small businesses may also take advantage of simpler depreciation rules and the entrepreneurs' tax offset.

None of the statements made in this article constitutes taxation advice.

WELCOME ELIZABETH HOLLIGAN

We welcome Elizabeth Holligan as part of our accounting team.

Elizabeth joined the practice as an accountant in September, 2007 and relocated with her husband and children from Wangaratta. Apart from short periods in New South Wales and South Australia, Elizabeth

has predominantly lived and worked in rural Victoria.

In addition to her 7 years of experience in public practice accounting, Elizabeth has over 20 year's work experience in a diverse range of industries including Primary Production, Education and Business Consultation.

Her areas of expertise include Audit & Assurance, Business Consultation, Accounting and Taxation for Small Business and Primary Production.

Elizabeth looks forward to liaising with clients and assisting them with a wide range of accounting and taxation queries.



Welcome to the 'Brains Trust'

Cardell Accountants

technical experts and trusted business advisors

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