

## How managing tax can assist cash-flow



**Businesses affected by the floods will be facing huge interruptions to their operations with major impacts on cash-flows. Those cash-flows will likely be going only one way at the moment – out. A small investment of time in looking at your tax and accounts will assist in managing your cash-flow at this difficult time.**

The first step in the current environment is to contact your insurance broker and review your policies to understand what your policy covers and what's excluded. Your broker will also help you understand the process involved in making a claim.

Even if you're still calculating what damage or business interruption you are covered for, it's important to isolate such costs now as it is very hard to include later. You need to set up a separate cost centre(s) or accounts in your accounting system to record additional costs incurred as a result of the floods, e.g. stock write-offs, property damage, additional operating costs, additional storage and lease costs, additional staff costs, costs of management time, communication costs, etc. It's important that you maintain invoice and source document records to support the costs incurred arising from the floods to support your claim.

Many people also don't realise that it's important to ask all staff to capture evidence of loss of goodwill

of the business e.g. emails or other correspondence from suppliers, investors, customers and/or any other stakeholders.

From a cash flow perspective, identifying early losses may allow early progressive payments from your insurance company to aid cash flow.

What you can claim for will of course be dependent on what your policy covers but also importantly what you can prove your losses to be.

The government has also recognised the impact of the floods on cash flow for businesses. The Queensland and Federal Governments have made grants of up to \$25,000 available for Primary Producers and Small Businesses (defined as those with an ABN and less than 20 employees) directly impacted by the floods. More information can be found at [www.business.qld.gov.au](http://www.business.qld.gov.au) or [www.qraa.gov.au](http://www.qraa.gov.au). Low interest rate loans of up to \$250,000 are also available to fund the repair or replacement of plant & equipment, buildings or stock.

### **Further tax-driven opportunities to maximise cash inflows include:**

- Looking at your debtors – if an account is likely to be unpaid as a result of the floods or because it is long overdue, you may be able to claim back a refund of any GST you have previously paid to the ATO. You may also be entitled to a income tax deduction for the bad debt;
- Talking to your creditors – if they are in a position to extend your trade terms, get them to issue you a tax invoice earlier so if you account on an accrual basis, you may end up claiming back the GST credit before you have to pay the creditor;
- Looking at any accrued creditors – where you account on an invoice basis, you can claim the GST credit on those costs as long as you hold the tax invoice even without paying your creditor;
- Looking at your proportion of private use of cars and equipment – if you have previously only claimed a small portion of GST on those items, but they are used in the business more than you originally thought, you are entitled to seek a refund of under-claimed GST; and
- Finally where you are likely to incur a significant trading loss as a result of the floods through writing off stock and loss of revenue, consult your accountant as to whether you should vary your income tax instalment for the period

You may be surprised what the above ideas might give you in refunds from the ATO.

**If you would like to discuss this further, please contact your regular PwC contact or phone Jason Daniels on (07) 3257 8536.**