



Cash Flow & taxation liability planning

The environment for operating a regional business enterprise is forever changing and owners including managers must be dynamic enough to accept, adapt and embrace the resultant conditions of such change.

Without demonstrating a flexible approach, businesses will no doubt struggle to maximize their opportunities for growth and consequently deliver increasing returns on owner's investment.

Two key aspects that allow businesses the ability to be flexible are cash flow and taxation liability management. In the current business operating environment, "cash is king". The ability to be able to forecast your businesses cash flow for the coming 12 months and beyond is essential, not only for the present day to day operational activity but also for the future.

A well thought out business and cash flow plan in advance of each ensuing financial year is a critical and essential starting point. This form of planning generally includes your businesses vision and mission statements together with a number of other appropriate considerations but importantly sets the required strategy to deliver all the outcomes that you are trying to achieve for the year.

A key outcome for your business from investing your time in appropriately applying these planning tools is the ability to manage your taxation liabilities and cash flow movements when they occur. Structured planning sessions with your professional business advisor must occur to enable you to understand the need to allow for taxation, the amounts required and the timing of such payments.

These sessions ideally should be undertaken at a mutually agreed time, ideally at least once prior to the end of the financial year and should take into consideration a number of specific items.

The following is a checklist of things that should be considered when undertaking tax planning each year:

- > Have a reconciled financial position to the date you are starting from, say 31 December or 31 March.
- > Compare these figures to your budget to look for any timing differences with income or expenses to this date.
- > Have a good understanding of your current cash position.
- > Have an accurate estimate of the income and expenses to come for the remaining period of the financial year.

The most difficult task in tax planning is predicting your future income and expenditure for the remaining period of the financial year, especially if you are trying to predict seasonal conditions, market movements and exchange rates. From here the decision making process starts with the following questions:

ADELAIDE

11-16 South Terrace Adelaide SA 5000
PO Box 10516 Adelaide BC, SA 5000
t 1300 764 200 i +61 (08) 8203 8400
www.hoodsweeney.com.au

WHYALLA

Suite 13, Level 1 City Plaza Building
15-15a Darling Tce Whyalla SA 5600
t 1300 764 200 i +61 (08) 8203 8400
info@hoodsweeney.com.au

KADINA

6a Graves Street Kadina SA 5554
*Office hours are determined by
pre arranged appointment*
t 1300 764 200 f (08) 8232 1968

- > What is the estimated taxation position?
- > What are my options to best manage this taxation liability?
- > What available cash flow do I have to be able to take advantage of taxation related strategies?
- > What are the longer term ramifications on the business for making these decisions now?

The reason for taxation planning to be built into your bigger planning strategy is to ensure that a short term view is not taken on the approach to managing taxation related matters. In a successful business, taxation liabilities are part and parcel of the operating environment and it is very important to manage these liabilities within the business rather than letting taxation focused strategies take over as the main driver of the businesses activities.

At the end of the day, your business strategy should be about making money and consequently increasing owner/ shareholder wealth. Some strategies to ensure that these planning sessions are taking the correct shape should include:

- > Bringing forward business expenses.
- > Use of industry specific taxation measures as allowed by the Australian Taxation Office.
- > Ensuring your capital infrastructure is adequate to provide maximum business efficiency, capital equipment, IT infrastructure, systems administration tools and communications.
- > Health checks on finance facilities and the use of new facilities to take advantage of beneficial taxation strategies.
- > Personal wealth creation strategies through superannuation and risk protection measures to value add to the taxation management strategies put in place.

Most of all the need for a good working relationship with your business advisor is paramount in this process. Leveraging the additional resources available outside of your business skill sets will benefit the business greatly and allow you as business owners to concentrate on the tasks of running the business.

Published in SA FarmGuide 2010/2011

Hood Sweeney is a leading provider of professional services to individuals and companies based in rural South Australia.

Headed by dedicated leaders with experience in the industry, Hood Sweeney understands the complex needs of the rural and farming businesses, such as:

- > effective cash flow management to manage through off-season, environmental and economical challenges
- > estate, succession and retirement planning
- > remote communications and managed information technology services
- > farm equipment and vehicle finance, stock and crop funding and seasonal finance

Hood Sweeney operates on the basis that building relationships with our clients is critical to our ability to provide relevant and tailored services to this significant South Australian industry.

As such we ensure our professionals have local knowledge and are accessible to our clients. Through this on the ground service, our clients benefit by having local professional contact combined with access to the resources and support of our Adelaide-based professional team.

For more information, please contact:



Scott Young
 Director, Hood Sweeney, CPA
 scott.young@hoodsweeney.com.au
 t. 1300 764 200
 www.hoodsweeney.com.au