

Tax time

Changes set to benefit business

Small businesses struggling in the economic climate should see some benefits with the introduction of several key tax changes in the 2012-13 financial year.

Tax Guru chartered accountant Navneet Jyoti said businesses would benefit principally from two key tax changes to the company loss carry-back and immediate write-off of depreciable assets schemes.

Mr Jyoti said the company loss carry-back was designed to help businesses that had previously paid tax, but were struggling this financial year.

From July 1, 2012, businesses that have paid tax in the past, but are in a tax loss position, will be able to carry their loss back to the previous years and obtain a refund on taxed paid previously.

"If the business is going well, you should pay tax, if not then you should get something to help you through the bad times," he said.

As an example, Mr Jyoti said a retail clothes company that posted a \$100 000 profit last year and paid 30 per cent tax, but had a \$50 000 loss this year would be able to carry back this year's tax loss and offset it against the tax paid on the \$100 000 profit.

Mr Jyoti said under changes to the depreciation rules, small businesses with a turnover of less than \$2 million would be able to immediately write off most new depreciating assets costing less than \$6500.

Previously, only assets under \$1000 could be instantly written off.

Mr Jyoti said the change would be extremely beneficial, as many small businesses purchased assets worth more than \$1000, including expensive laptops and computers.

Businesses will also benefit from the simplification of depreciation pools.

Previously there were two separate pools, the long life small business pool and the general small business pool, which have been combined into the simplified pool.

Mr Jyoti said the consolidation would mean all assets would be depreciated at the same value instead of at different rates in different pools.

Mr Jyoti said the changes and simplification of tax rules would hopefully allow businesses to reduce their taxable income and their tax bill.

