



Monthly Information Newsletter – Tax & Super

June 2023

Maximising cashflow

The predicted slowing of the economy in 2023-24 along with the pay day super guarantee (SG) proposal are sure to make cashflow more important than ever for business over the coming months and years, noting that it is one of the biggest difficulties faced by business.

To recap, from 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages. Currently, SG is payable quarterly – allowing business more time to make provision for this obligation.

There are a number of strategies that may improve cashflow for your business:

PAYG instalment assistance

- In the recent federal budget, it was announced that there is PAYG instalment relief on the way. Currently, most small to medium-sized businesses are required to make pay as you go (PAYG) instalments which go towards their annual income tax liability. Entities that are liable to pay GST may also elect to pay by instalments.
- A 6% GDP uplift rate will apply to small to medium-sized businesses (and some individuals) who are eligible to use the relevant instalment method (this being up to \$10 million aggregated annual turnover for GST instalments and \$50 million annual aggregated turnover for PAYG instalments) for instalments relating to the 2023-24 income year and which fall due after the enabling legislation receives Royal Assent.
- This uplift factor is lower than the 12% rate that would have applied under the statutory formula, freeing up cash for businesses.

Reconsider the terms on which you deal with customers

- If a customer regularly cannot pay, or can not pay the full amount, you should perhaps consider the terms on which you deal with that customer. For instance, to protect yourself against future non-payment, you might like to only deal with that customer on an upfront payment basis.

Decisions in this regard should be made on a case-by-case basis.

Send invoices immediately

- Delaying the filling out of your invoices until the end of the week or the end of the month, for example, may unnecessarily create cashflow problems for yourself. When you make the supply, send out the invoice!

Bank amounts that you receive

- By banking amounts as soon as you receive them, you will be better able to monitor your true cash situation at any point in time. Not banking amounts immediately leads to estimation and confusion as to the true cash position of your business.

Discounts for early payers

- Offer discounts to customers who pay early. A word of caution – it is important to strike a balance between a reasonable discount, and your desire for early payment. Offering sizeable discounts for money that may have been paid in full a few days later anyway will end up causing its own cashflow problems! In most cases, it is best to keep the discounts small, and require the payment well before the due date.

Insurance for debtors

- If you are a business that relies heavily on a few clients, you should consider taking out insurance. By insuring against the failure of your major debtors, you can safeguard against their potential collapse.

Increase your time to pay

- Try to get creditors to extend their due dates for payment, for example, from 14 days to 30 days; from 30 days to 60 days; or from 60 days to 90 days. Any extra time that you

have to pay amounts owing is effectively interest-free money. **Consider charging deposits**

- Consider charging deposits for significant orders. Not only does this guarantee at least part payment, but also makes customers think twice before cancelling their orders for goods that are in the process of being made available.

Excess stock

- Businesses need to make sure that they do not have excessive stock. Ideally, businesses should aim to have enough stock to keep customers happy and not have (if applicable) your store looking empty. Beyond that, any excess stock is merely tying up cash.

Prepare a cashflow forecast

We can assist with the production of this.

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