

This edition brought to you by

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The financial news your business needs.

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# BUSINESS Bulletin

## The Carbon Tax is Coming!

The introduction of the carbon tax on 1 July represents the biggest tax shake-up since the GST commenced in 2000.

### Who Pays the Tax?

Big Business.

The carbon tax will only be paid by Australia's biggest 500 polluting companies who will pay \$23 for each tonne of carbon pollution they emit into the atmosphere each year. Most of the 500 companies are involved in the electricity generation, mining, natural gas retailing, industrial processes (cement, chemicals and metal processing), and waste disposal industries. The \$23 price per tonne will rise 2.5% each year up to \$25.40, before an emissions trading scheme commences in July 2015. Under that scheme, the big 500 polluters will trade permits to pollute; with the carbon price being set by the market.

### Will My Business Costs Rise?

Most likely.

Although individuals and the vast majority of businesses will not pay the carbon tax directly, big business is expected to pass on the cost of the carbon tax with significant price rises expected in electricity, water as well as fuel-related transportation. Price rises are also expected to be larger within the earlier-mentioned industries which are paying the tax. All told, the carbon tax is expected to contribute 0.7% to the Consumer Price Index (CPI) in its first year. For the sake of comparison, the GST in its first year contributed 2.5% to the CPI.

### Is there compensation?

Most of the business-related compensation is reserved for directly affected industries. However, there are some additional grant and incentive programs for all businesses, including programs targeted at efforts towards introducing more environmentally friendly business

## Reminder Dates

March **21**

Due date for February monthly Activity Statements

April **23**

Due date for March monthly Activity Statements

April **28**

Due date for Superannuation Guarantee Contributions

April **30**

Due date for 3<sup>rd</sup> Quarter Activity Statements (if lodging by paper)

May **14**

Due date for 3<sup>rd</sup> Quarter Activity Statements (if lodging electronically)

practices and processes. For small businesses, from 1 July 2012 there is also:

- **Small Business Instant Asset Write-Off** - small businesses will be able to write-off depreciating assets costing less than \$6 500 (up from \$1 000) in the income year in which they start to use the asset or have it installed ready for use.
- **Streamlined Pooling Provisions** - the small business long life pool will cease to exist. Instead, all assets other than buildings will be depreciated in a general small business pool at 30% (with the rate of 15% applying in the first year).
- **Special Rules for Cars** – small businesses can write-off \$5 000 of a car in the income year in which they start to use the car (new or second-hand). The remaining value is then depreciated through the general pool at a rate of 15% in the first year and 30% in later years.

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While such programs may be of assistance to some businesses, there are many who will not qualify. For instance the small business measures are only available for businesses with an annual turnover of less than \$2 million (including the turnover of connected/associated entities). Likewise, many of the grant and incentive programs are only available for businesses undertaking significant environmental investments and initiatives; something which may prove unviable for many businesses.

At a household level, most individuals will be compensated via tax cuts as well as a range of increased Government payments. Higher income earners though may be worse off.

### How Can My Business Prepare?

As stated, although only the 500 biggest polluters will be subject to the carbon tax, most businesses will experience increased costs. Given that you are entitled to pass these costs onto your customers/clients, it's essential to identify which of your business inputs rise in price, and by how much. This will vary from industry to industry, although it is anticipated that utilities such as electricity and water will see across the board price rises, with transport costs also expected to rise. Additionally, if your business is part of or reliant on one of the industries listed earlier, there may be greater flow-on cost increases.

To identify these costs, you should undertake a comparative analysis of your business inputs both pre and post carbon tax. You will then be well placed to identify which inputs have increased in cost, and in turn pass any increases onto your customers. Some businesses may however opt to absorb these costs and gain a price advantage on competitors.

For more information visit: [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au)

### IT Tips – Online Security

Identification theft, where you or your business's details are copied and then used illegally (often at great financial cost), is one of the fastest growing crimes in the world. To protect yourself, consider the following:

- Ensure you have the latest security software including anti-virus, anti-spam, anti-spyware and firewall protection.
- Enable automatic updates for your computer's operating system and applications
- Before connecting to the internet, install and enable a firewall on your computer
- Download and regularly use a malware removal program
- Never give out personal or business details on social networking sites.



## Business Tip

# Keyman Insurance

**Have you thought of insuring your employees!**

While most business owners won't think twice about insuring their buildings, vehicles, machinery, and stock, many neglect to consider insuring arguably their most important asset – their employees! Like most businesses, you likely have long-term, experienced, gifted staff with unique skill sets who are vital to the operation of your business. Without them, profitability and productivity would be heavily affected. If you are concerned about the business losses that would result if one of your key staff could no longer work for you, you should consider taking out keyman insurance.

Keyman insurance guards against the death or permanent incapacity of a key employee. Such insurance also underpins buy-sell agreements (which are taken out to fund the buy-out of a departing business owner's share of the business, in the event of their death/permanent incapacity). The benefits provided by a keyman policy are much the same as policies held by an individual under a life insurance, trauma insurance, or a total permanent disability policy; with the main difference being that the keyman policy is held by the business and any payout is to protect the business, not compensate the individual. Whilst policy terms and business requirements will vary, broadly speaking keyman insurance can provide the following compensation to your business:

- Lump sum benefit when an insured keyperson dies, is critically ill or permanently incapacitated
- Coverage for the cost of hiring temporary personnel, including recruitment and training costs.



## Human Resources

### The Poaching of Your Employees

It's a commercial reality that you employ and train competent people, only to have them approached and poached by clients. The approach is normally made in an effort to save money in the longer term. By approaching your employee, your client has the advantage of employing a person with known skills sets and a proven track record.

To protect your business, it's worth considering:

**1 Placement Fees** - Review your standard Client Engagement Letter to ensure that clients agree up-front to a placement fee should they approach one of your employees or contractors. Given that the client could have access to the person in their capacity as your employee, it would seem equitable that a placement fee should be charged; after all, the client would likely pay such a fee if they went into the open marketplace searching for a similar employee.

**2 Employment Clause** - Additionally, review your Employment Offer Letter to ensure that employees agree not to approach a client for employment without consent.



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