



## **\$720 million in tax cashflow relief won't help struggling companies**

Monday 30 March 2009 10:59 Amanda Gome

Troubled companies will not benefit from the "cashflow" relief announced by the Federal Government on the weekend.

Treasurer Wayne Swan announced on Saturday that the Government will provide \$720 million of cashflow relief for small businesses, self-funded retirees and small superannuation funds that are struggling during the global economic crisis.

The quarterly pay-as-you-go (PAYG) instalments for the 2009-10 income year will be cut for taxpayers whose quarterly tax instalments are adjusted for the previous years' gross domestic product.

"The Government will use the expected increase in the consumer price index for 2009-10 - rather than previous years' GDP growth - to calculate tax instalments.

"For the 2009-10 income year, the Government has reduced the GDP adjustment from 9% to 2%, aligning it with the expected consumer price index (CPI) growth of 2% for 2009-10, as forecast in the updated economic and fiscal outlook," Swan says.

He says PAYG instalments will be cut by about 6% cent for 1.5 million taxpayers for 2009-10.

The measures will provide further cashflow relief for small businesses at a difficult time, Swan says.

"The Rudd Government is determined to do everything we can to help small businesses in the face of the global recession which is hitting the Australian economy."

However Sue Prestney, director at MGI Boyd, says there will only be a tax flow benefit to those companies that are more profitable than last year. "For those who are not doing so well, they have the option to vary their instalments anyway," she says.

Greg Hayes, partner at Hayes Knight, points out there will be no net cost to the Government over the full forward estimates period.

"This is just a timing issue, and for those who can use it, it will have a small cashflow benefit, but really just defer the liability."