



Welcome to our Quarterly Newsletter.

In this edition we take a look at:

- [Are you missing out on Fuel Tax Credits?](#)
- [The Banking Royal Commission. Why SMEs are using specialist brokers for lending alternatives as borrowing gets tougher.](#)
- [Why splitting your Finance requirements just makes sense!](#)
- [The Federal Government's instant asset write-off is about to get better](#)
- [Interest Rate Bait – Buyers Get Hooked!](#)

As always if we can help with any aspect of your finance or you know of someone that would benefit from our services please do not hesitate to contact us to discuss.

Enjoy the read!



[Are you missing out on Fuel Tax Credits?](#)

We have recently been advised that a number of businesses may be missing out on their

Fuel Credit entitlements because they are not aware of them. In this article we take a look at what a fuel tax credit is, who is eligible to claim and what can be claimed.

What is a fuel tax credit?

Fuel tax credits provide businesses with a credit for the fuel tax (excise or customs duty) that's included in the price of fuel used in:

- machinery
- plant
- equipment
- heavy vehicles
- light vehicles travelling off public roads or on private roads.

The fuel tax credit rates are reviewed six monthly each year with the [latest rates](#) revised on the 4th of February this year.

So what are the key items to consider on whether you are eligible to claim?

A number of businesses may not be aware they are eligible to claim for:

- Light vehicles - less than 4.5 tonnes gross vehicle mass (GVM) if they travel off road or on privately owned roads. One transport firm using GPS information recently determined the time that their light vehicles have been off road or on private roads. They have now calculated a large amount in fuel tax credit rebates over the period and have applied for a revised claim.
- Light trucks greater than 4.5 tonnes (GVM) weight. This includes vehicles such as the Iveco Daily Van that is available with the optional 5.5 tonnes GVM or some other Light Trucks. So some businesses do not claim simply because they believe that their vehicle doesn't qualify.

Also if your business is involved in agriculture, fishing, mining, construction or landscaping it's likely you will be able to claim under the scheme.

In mining and exploration fuel costs can be up to 30 per cent of total operational costs, which means claiming a fuel tax credit rebate can be a significant advantage for these businesses.

It is worthwhile checking and seeing if you are [eligible](#).

If you are uncertain on whether you qualify we recommend that you contact your accountant or tax adviser. You may be pleasantly surprised!



The Banking Royal Commission. Why SMEs are using specialist brokers for lending alternatives as borrowing gets tougher

If you're a Small to Medium Business the recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industries ended a substantial amount of uncertainty on what the impact of lending to Small and Medium sized businesses would be moving forward.

We see the Royal commission outcomes reinforcing and enhancing the relevance and value of your specialist Equipment and Commercial Finance Broker, working for you to navigate the elevated levels of compliance and scrutiny around lending to business.

Some immediate consequences we have observed from The Royal Commission affecting the banks have included:-

- Asking for an increased amount of information to assess an application for finance;
- Taking longer to assess an application; and
- Declining applications that do not fit their standard guidelines or adding additional requirements to approved applications.

Some clients we have spoken with have experienced a lack of understanding by their regular financier and have been unable to source finance as easily as in the past.

This is where we can help in the process. Whilst we may need to ask you for additional information we will determine what level of information is realistic based on your lending requirements.

Our role is to do the work for you in sourcing appropriate options to consider.

We aim to make the process from application through to settlement seamless.



Why splitting your Finance requirements just makes sense!

Can one Bank provide a complete solution to a business finance requirements?

In some cases they can but this can also limit the ability to obtain future cash flow for your business. The reason is that Banks generally look at finance around the following:

- Aggregation
- Security
- Lending approach

Aggregation of Bank facilities

When providing finance most Banks will “aggregate” all facilities that they provide to both the company, associated companies and directors.

What is the problem with this approach?

Banks will generally only lend up to a certain percentage of the Market Value of the Assets they hold. As a result of aggregation this may prevent the company obtaining an increase in core working capital facilities (such as a Bank Overdraft) in the future as the bank has reached its prudential level with the company against the security held.

What to consider?

Whilst each company is different in their finance requirements one consideration is to review what finance facilities are held with your Bank. Many companies successfully split their banking facilities between core banking and non-core banking products, such as Equipment Finance, therefore keeping a buffer for cash flow requirements.

Security

A Bank will typically take a General Security Agreement (“GSA”) (previously known as a Fixed and Floating Charge) over the assets of the company plus real estate security and associated individual and company guarantees.

The GSA in particular is a very powerful document that a Bank holds over a company. It provides security over all of present and after-acquired property of the company. This means that the **bank has security over everything the company owns now and in the future**. This includes debtors, equipment or real estate or any other asset that the company holds.

What are the negatives of a GSA?

- The bank has the right within the GSA to appoint external parties to either review your business or in extreme circumstances place your company into external administration. If for example the company fails to meet any covenants placed on it, such as financial covenants, the bank may take steps to protect themselves that does not support you and your business. We also know of examples where an investigative accountant (at the company’s cost) has been appointed even when the client was meeting their obligations.
- Any equity in the assets of the company is effectively the Bank’s.

What to consider?

- If the Bank holds real estate security and the finance amount is covered by this security consider whether they need to hold a GSA.
- Split your Banking that enables a track record with another Bank.
- Move non-core banking away from your Bank.

Lending approach

Not everyone ticks all the boxes for lending from their Bank. If you have a unique business circumstance or assets that need to be financed you may need a financier that will be prepared to back the companies and directors track record and expertise. A better deal outside the box with another funder can often be negotiated.

In addition your Bank may not have the products, or require additional security, where other funders do not.

What to consider?

- Approaching other funders who will assess the proposal differently.

If you are registered for the goods and services tax (GST), you exclude the GST amount you paid on the asset when you calculate your depreciation amounts (and your instant asset write-off threshold is \$20,000 exclusive of any GST). This is because you will claim as a credit the GST paid in your activity statement for the relevant period. If you are not registered for GST, you include the GST amount you paid on the asset in your depreciation calculations (and your instant asset write-off threshold is \$20,000 inclusive of any GST).

What happens if I make a purchase of more than \$20,000?

The \$20,000 threshold applies to the total cost of the asset, not just its taxable portion. Any purchases equal to or more than \$20,000 can be put into your small business asset pool, where you will be able to claim gradual deductions (depreciation) each year.

How do I claim the instant asset write-off?

If you buy an asset that comes under the \$20,000 threshold during this current tax year, you can claim the full business portion of the asset's use in your tax return for the 2018-19 financial year.

Want to know more?

Check with your tax professional to see if this will help your circumstances and further information can be found [here](#)



[Interest rate bait – buyers get hooked](#)

So many businesses get caught on the interest rate bait thrown out by equipment dealers in their efforts to move new gear.

Unfortunately, the zero and 1.5 per cent interest rates that are cast around are generally achieved by inflating the sale price of new equipment to make up the difference between the “**Bait Rate**” and the “**Real Rate**” which means in some cases, you could end up paying more.

When pricing up a job for tender, a contractor typically takes into consideration the costs associated with performing the work which includes finance repayments, employment costs, fuel and materials.

If you purchase a \$250k machine for the job with a finance rate of 1.5 per cent you could be forgiven for thinking you're ahead of the game because the interest rate is so low.

However, if you've paid too much for the equipment to get the “**Bait Rate**” the story may be very different.

This can be very hard on the business for a low utilisation asset which negates any benefit of the low “**Bait Rate**”.

Before you buy, it's wise to ask your dealer for their best price on a cash purchase because only then can you really compare the actual costs associated with ownership.

In some cases, the dealer may have inflated the retail value by as much as 10-12 per cent to achieve the “**Bait Rate**” meaning there are real savings to be had by shopping smart. On other occasions the manufacturer may have thrown some marketing money at the solution to achieve the same result.

Armed with this information, you can source your own finance with confidence knowing that you have the best price on the equipment and access to “**Real Rate**” finance products which could better suit your needs, particularly if you need to payout the loan ahead of time.

Interest rates available to borrowers vary significantly depending on individual circumstances and which lenders are used so it pays to **get some independent advice** on what is available to suit your needs.

On the flip side, is buying a new machine for six months of guaranteed work really the best thing for your business?

If a well-maintained used machine for \$100k is suitable for the work you perform you can price jobs more competitively as well as achieve significant upsides in your businesses profit margins.

It also important to consider that if for some reason you had to sell the \$250k machine after 18 months, the likelihood of the finance payout being less than the market value is minimal, especially if financed with a balloon.

If you had to sell the \$100k machine after 18 months, the chances the equipment will have a market value greater than the payout is high.

Sometimes buying new is required but it pays to look at the full picture, especially when margins are so tight and the machine repayments, which make up around 30 per cent of expenses are, in many cases, the major culprit when it comes to margin compression and diminishing net profit.

If you do get a quote from a dealer have a chat with us about what you are being offered. We will be happy to review and provide our thoughts on the offer.

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