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CONTACT BRETT MCALISTER

Hi-Way 1 Financial Services
Cnr Industrial Ave & Enterprise St,
Kunda Park, QLD 4556

T 07 5453 5004
F 07 5453 5002

www.hi-way1.com.au

Gympie Maryborough Rockhampton Sunshine Coast Mackay

TALK AROUND TOWN

Whew!! It looks like Australia has scraped through the financial mess without going into a technical recession. Time will tell if we come out of the other side unscathed completely.

The good news is that the 'experts' are starting to see 'green shoots' in the economy – a new term but meant to demonstrate the beginnings of growth in the markets.

On the interest rate front, the economists are starting to predict movements in interest rates out a little further – the general consensus is that interest rates will stay close to where they are now until the second half of 2010 – when they expect the rates to move upwards.

A recent study carried out by East Partners in the way in which Banks are treating Small & Medium sized businesses (SME's) – showed the following;

SMEs are reporting frustration, and declining levels of satisfaction in their dealings with banks, with “the high cost of credit and the lack of dedicated managers assigned to look after them” as their two biggest concerns.

Our experience in the past few months certainly reflects that statement to be true – we are seeing a large influx of transactions between \$3m – \$10m for new clients that have been referred to our company.

Due to our large access to lenders on our panel, we are able to satisfy the client's needs for finance of this size and put additional funding lines (credit limits) in place to satisfy future requirements over the next 6-12 months.



INVESTMENT ALLOWANCE

Where to now after June 30 2009

We haven't seen a June 30 like the one we just had since the advent of the GST. It was a good old fashioned end to the financial year with deals still being processed at midnight by most of the lenders. The stimulus created by the investment Allowance certainly had the desired effect and those eligible businesses that got in before the deadline can now benefit when their tax returns are completed.

If your business has a turnover in excess of \$2.0 million per annum, then you will be able to claim a 10% tax deduction on all eligible assets over \$10,000, brought between the 1st July 2009 and before the 31st December 2009, provided they are installed by the 31st December 2010.

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BENEFITS OF OPERATING LEASE

Operating Lease should be a serious consideration for larger clients looking to fund trucks and trailer purchases in the 09/10 financial year.

Transport Finance has access to a couple of the best Operating Lease companies available and we can clearly demonstrate the benefits of using this type of funding for your next acquisition, especially if you did not place your order before the Investment Allowance deadline at June 30 2009.

One of the Operating Lease companies that we deal with has placed a large order for trucks in various configurations and can pass on a significant cost saving to your business by way of cheaper monthly repayments through their access to the I.A.

We can finance Operating Lease on a fully maintained program, where your running costs are evenly spread over the term of the loan or a non-maintained basis whereby you arrange your own service and maintenance on the vehicles.

Whether you are looking for a local delivery van, rigid pallet truck or interstate prime mover – our team will demonstrate why Operating Lease should be part of your consideration when next looking for a vehicle.

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Our business turnover less than \$2.0 million p.a.

If your business has a turnover of less than \$2.0 million p.a., you have until the end of this year – 31 December 2009 to order eligible assets and claim a 50% tax benefit provided that the goods are delivered before 31 December 2010.

Eligible assets

The tax bonus will apply to tangible assets used in carrying on a business, for which a deduction is available under the core provisions of Division 40 (Capital Allowances) of the Income Tax Assessment Act 1997 (ITAA 1997).

Specifically, the deduction will be available for depreciating assets under section 40-30 that qualify for capital allowances under Subdivision 40-B, except for intangibles and rights that would otherwise be included by subsections 40-30(2), (5) and (6).

However, cars will not be disqualified from the allowance merely because they use the 12 per cent method.

Land and trading stock are excluded from the definition of depreciating assets, and will not qualify for the deduction.

Expenditures above the threshold which are capitalised into an existing asset as a second element of cost will also qualify for the deduction.

NO MORE RATE CUTS

With the RBA viewing the downside risks to the domestic economy as having diminished, further official interest rate cuts now seem unlikely with rates expected to stay on hold for a prolonged period.

Evidence of a more resilient domestic economy has prompted us to upgrade our GDP forecasts to 0.3% growth for 2009 and 1.1% for 2010 and to scale back our unemployment rate forecasts to now peak at 7½% in mid-2010.

The easing cycle may be at an end...

The continued resilience of the Australian economy through 2009 thus far has seen the chance of further official interest rate cuts from the Reserve Bank slowly ebb away. The strong position of the economy going into the downturn; the solid banking sector; pre-emptive fiscal and monetary policy stimulus and a resurgent China have all contributed to this relative out-performance, compared to other advanced economies.

As highlighted by the RBA in the Minutes of the July Board meeting, the surprisingly strong run of data has reduced the downside risks confronting the domestic economy. It has also prompted us to reassess our outlook for official interest rates, with further rates cuts now unlikely. We anticipate that the RBA will keep rates on hold at 3% for an extended period of time while we negotiate what will be, despite the run of solid data, a time of heightened economic uncertainty through the rest of 2009 and into 2010.