



The Carbon Tax

A toolkit for business owners



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This is a general information guide prepared by MYOB. If you have a query regarding your own circumstances, then you should consult with your accountant or other adviser.





About this guide

As someone who works closely with those who are our economy's engine room – owners of small to medium businesses – I know many of you are wondering what impact the carbon tax will have on your life. While the carbon tax is not a direct tax on households or smaller businesses, there will be indirect impacts that we all need to consider. It's a question of 'is it an opportunity or a risk?'

I believe it can be an opportunity, but we all need to act now and plan ahead for the change.

MYOB is proud of our business advocacy stance, providing business owners with the tools and support that enable you to get on with running your business.

That's why we have developed this practical guide - to help you understand the impacts of the carbon tax introduction and the possibilities it presents so you can be better prepared. The guide offers helpful tips and ideas to make the carbon tax less taxing for business owners.

Tim Reed, MYOB CEO





Carbon tax facts every business needs to know

Basic facts

- + Carbon pollution is caused by the burning of fossil fuels, including coal and petroleum. Australia is particularly reliant on these two energy sources.
- + A carbon tax puts a price on the carbon released when fossil fuels are burned (a carbon price). It is designed to include in the price of fossil fuel the cost of the environmental damage caused when such fuel is used.
- + As part of the Government's Clean Energy Future Plan, a price on carbon pollution will be introduced in Australia from 1 July 2012.
- + From this date, around 500 of Australia's largest polluters will be required to pay a carbon price. Impacted industries include electricity and energy generators, mining, business transport, waste and industrial processes.

These large businesses are already known and registered with the Government.

- + The carbon price will start at \$23 per tonne of emissions and will increase by 2.5% on 1 July 2013 and again on 1 July 2014. From 1 July 2015, the carbon price mechanism will move to an emissions trading scheme, where the price will be flexible and will rise and fall depending on market fluctuations.
- + Although the carbon price is not a direct tax on households or smaller businesses, there will be indirect impacts that we all need to consider. The Government intends to reduce these impacts through a range of tax changes, offsets and business support.
- + 50% of the money generated from the carbon tax will be used to compensate households for any increase in the cost of living, via tax cuts or increases to family benefits or social security.

The rest will be reinvested into clean energy technology and renewable energy projects. Offshoot development funds will also be set up to focus on biodiversity, low carbon agriculture, small business grants and indigenous communities.

Understandably, as with most new and large scale initiatives, many business owners are confused about the impacts of the carbon tax on their livelihood.

A recent report from MYOB* found that more than 50% of business owners think their business will be negatively affected by the carbon tax and only 3% believe it will have a very positive impact.

Our report also found very few understood how the carbon tax would affect their business.

When asked 'how well do you understand what the impact will be on your business', 42% said either 'not very well' or 'not at all well'.

Only 17% said 'very well'.



* March 2012 MYOB Business Monitor survey of 1,043 SME owners and operators across Australia.





Key impacts for business owners

To help clear away some of the confusion, here are some need-to-know facts for your business:

- + Most businesses will not be required to directly pay a carbon price – it only applies to around 500 of Australia's largest polluters.
- + As such, most business operators are not required to undertake any compliance activity such as counting or monitoring their carbon pollution or electricity use.
- + They will not have additional paperwork or forms to complete as a result of the carbon tax.
- + The Government has committed \$240 million over the next three years towards helping small businesses improve their energy efficiency, lower their costs and obtain advice on growing their business sustainably.
- + Although most businesses won't directly pay a carbon price, it will have a flow on effect to a number of goods and services they need, such as fuel, electricity, business travel, freight and waste removal.

Other key tax changes from 1 July 2012:

- + The flood levy is due to be removed for those individuals who were impacted during the 2011/12 financial year.

- + The small business* instant asset write-off will increase from \$1,000 currently to \$6,500 (GST exclusive), assisting investment in new equipment for business growth and improvement in cash flow.
- + Such businesses will also obtain an instant write-off for the first \$5,000 (GST exclusive) cost of any motor vehicle purchase. The balance of the purchase price will be allocated to the small business general pool and depreciated at the rate of 15% in the first year and 30% p.a. thereafter.
- + The tax-free threshold for individuals will increase significantly to \$18,200 per year and will mean a payroll change for every employee. From 2015/1016 this will rise to \$19,400.
- + The low income tax offset will be reduced from \$1,500 to \$445 in 2012-13 and to \$300 in 2015-16.

Pending legislation (at time of writing):

- + A tax loss carry back scheme where a business (company or entity taxed as a company) sustaining a loss in the 2012-2013 financial year can claim a refund of up to \$300,000 to reinvest in the business. For 2012-2013 the business can recoup from one year earlier. From 2013-2014 onwards, a business can recoup from two years earlier.
- + Payroll tax changes may also be introduced, depending on each state government.

* The ATO defines a small business for tax purposes as one that has a turnover of less than \$2 million (GST exclusive).

Why have a carbon tax?



As a key element of the Government's Clean Energy Future Plan, the introduction of a carbon price is an important step toward Australia playing its part in building a clean energy economy.

Australia currently produces about 500 million tonnes of carbon pollution each year, making us one of the top 20 polluting countries in the world.

The carbon tax and the eventual emissions trading scheme aim to reduce our carbon pollution by between 5% and 25% by 2020. This target will increase to 80% by 2050.

The introduction of a price on carbon aims to:

- + Reduce the country's dependency on carbon emitting activities for economic growth.
- + Assist Australian industries to compete in a world where other countries are cutting their emissions.
- + Change the behaviour of individual businesses, so they reduce their carbon pollution and increase their use of clean energy technologies.
- + Encourage investment in renewable energy such as wind and solar power and the use of cleaner fuels like natural gas.
- + Provide an incentive for households and businesses to use energy more wisely.

Individuals, businesses, industry and governments around the world are already taking action to reduce carbon pollution and create a clean energy future.

By acting now, Australia can look forward to long term prosperity for ourselves and future generations.



Impact of climate change by state



NT

Kakadu National Park is exposed to changed salinity as a result of sea level rise and saline intrusion into groundwater. Current projections are that the sea level around Kakadu will rise by at least 8cm by 2020 and up to 30cm by 2030.

WA

Rainfall in south-west WA has already reduced by around 15% since the mid 1970s. By 2070, it is predicted the region will experience 80% more drought-months if current climate trends continue.

SA

The economic impact of a hotter and drier climate on the water supply infrastructure for Adelaide is likely to be significant by 2070. The quality of water being delivered from the Murray Darling Basin is also expected to decline significantly by 2050 due to rising salinity levels.

QLD

Expected decline in agriculture production due to higher temperatures, reduced rainfall and extreme weather events.

Approx. decline in production in:

	<i>Beef</i>	<i>Sugar</i>
by 2030	19%	12%
by 2050	33.5%	17%

NSW

Large coastal populations centres may be at risk of inundation from sea level rise. Under a 1.1m sea level rise scenario, up to 65,300 residential buildings with a current value of up to \$20 billion may be at risk.

ACT

Increase in temperature and evaporation is likely to increase the risk of bushfires. Annual number of days with very high or extreme fire danger is estimated to rise from 23 now to up to 38 days by 2050.

VIC

Significant risk to vulnerable natural ecosystems and endangered plant and animal species. Species such as the Mountain Pygmy Possum that occupy habitats at the highest elevations and in the coldest environments will have nowhere to retreat to as the climate warms.

TAS

Fishing industry and marine life are vulnerable to warmer oceans - waters off the east coast of Tasmania have increased by around 1.5°C since the 1950s. A rise of 3°C may result in severe stress to Tasmania salmon, one of Australia's largest and most valuable aquaculture industries.

Carbon pollution: what other countries are taking action?

Since Finland introduced the world's first carbon tax in 1990, many countries have followed with carbon taxes or emissions trading schemes of one form or another. All are designed to create economic incentives for industry to reduce pollution and its impact on global climate change.

Did you know...

- + Around 85 countries have renewable energy targets.
- + 32 countries, including global leaders such as the United Kingdom, Germany and France, have a price on carbon pollution through emissions trading schemes.
- + Our cross-Tasman cousin, New Zealand, started emissions trading in 2008.
- + 10 countries have introduced forms of carbon taxes - the United Kingdom, India, Switzerland, Denmark, Finland, Norway, Sweden, The Netherlands, Costa Rica and Ireland.
- + The cities of Quebec in Canada and Boulder in the United States of America have introduced a price on carbon pollution.

What can you do now?

Minimising the impacts and maximising the opportunities

Every business in Australia will be impacted by the introduction of the carbon tax, whether directly or indirectly. However, it could very well be a positive experience for business owners who plan ahead, health check their business fundamentals and prepare well for the opportunities.

Don't wait until 1 July to get started, as it could be too late to reduce the impacts on your profit margins and you may miss the boat on some of the available opportunities.

7 steps for preparing your business

01. Review your current expenses and those incurred over the past year to identify energy intensive costs that will be affected by the inevitable energy price rises. Direct costs may be fuel, electricity and gas, and indirect costs may be business travel, freight and waste removal. Work with your accountant to ensure you have all your bases covered.

02. Gain a deeper understanding of where additional costs may be incurred by asking your suppliers about what they see as the effect on their business and when they will be able to tell you what their price impacts will be.

03. Highlight potential cost savings by exploring ways to reduce your consumption of good and services expected to be directly and indirectly affected by the carbon tax introduction.

04. Consider locking in contracts with key suppliers now, at pre carbon tax rates.

05. Conduct an energy audit to measure your business's carbon footprint and identify ways in which you can reduce its direct energy consumption and costs (10 quick tips are provided on page 9).

06. Review your key business processes and identify areas where you could be operating more efficiently by, for example, changing processes, upgrading equipment, re-training staff.

07. Analyse your current pricing and how the additional costs may impact your profit margins. This is a very important step as it will give you the confidence you need to justify any price increases not only to your customers, but also to the Australian Competition and Consumer Commission (ACCC) if asked. The ACCC has produced the *Carbon Price Claims - Guide for Business* (acc.gov.au) to help businesses understand their rights and obligations, ensuring price increases are not misrepresented as being the result of the carbon tax.





Opportunities and competitive advantages

The carbon tax introduction will result in opportunities for your business. It's wise to be well prepared to take advantage of these, so:

- + Understand the impacts of the tax on your customers. This enables you to time your marketing and sales activities strategically to encourage consumers to buy your products and services. Be aware that the Government will be offering many households personal income tax cuts and increases in pensions, allowances and benefits to help compensate for the carbon tax's cost of living impact. As a result, some consumers will have what they see as more disposable income and be prepared to spend this. Alternatively, some may be wary of spending as they wait and see the result of energy price rises. Either way, winter may be the ideal time to run promotions or offer discounts to capture these different consumer groups.
- + Investigate the carbon tax-related financial incentives and Federal and State/Territory Government programs available to businesses and those in your specific industry (see page 10).
- + Consider investing in capital equipment to enable productivity increases and take advantage of the instant tax write-offs for business assets (see page 3).
- + When investigating your supply chain, search the market to identify any low-carbon products or suppliers who can assist with a more efficient, low-carbon process change.
- + If you are looking to recruit new staff, consider how you can take advantage of the significant increase in the tax-free threshold. As part of the household assistance changes, the tax-free threshold will increase to \$18,200 and will encourage more part-time workers to return to the workforce as it becomes more financially viable. The benefit for business owners is that you can potentially draw from a larger pool of skilled people when employing new staff, and payroll for some part-time employees will be simplified.
- + With businesses' environmental responsibility becoming increasingly important in customers' eyes, consider how you can best promote your initiatives to reduce your carbon footprint. For example, your website, point of sale, email signature, newsletters, and social media avenues.

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Additional compliance obligations to remember for 1 July.

While you're busy preparing for the carbon tax impacts and opportunities, remember there are a number of additional compliance obligations that may apply.

Payroll updates - the way wages and salaries are taxed will change in several ways from 1 July 2012 including:

- + The flood levy is due to be removed for those individuals who were impacted during the 2011/12 financial year.
- + The carbon tax compensation measures for consumers will mean a payroll change for every employee to take into account new tax thresholds.
- + If you're in the building and construction industry, annual reporting of contractor payments to the ATO will be required from 1 July 2013, so you will need to ensure your business systems are capturing the required information.

Refer to ato.gov.au/content/00313486.htm for more details.

- + The low income tax offset will be reduced from \$1,500 currently to \$445 in 2012-13 and to \$300 in 2015-16.
- + The tax-free threshold for individuals will increase significantly to \$18,200 per year and will mean a payroll change for every employee. From 2015/1016 this will rise to \$19,400.

Pending legislation includes:

- + Payroll tax changes may also be introduced, depending on each state government.

If you own MYOB software, be sure you have access to the end of financial year upgrade that ensures your software enables your business to be compliant with the ATO's latest changes. If you don't have software, consider how much simpler your compliance and accounting process could be. Visit myob.com.au for more details and talk to your accountant.





10 quick tips for saving energy & saving money

Saving energy isn't just about reducing your carbon footprint; it can also save you money. If you're looking to put energy saving and money saving measures into action within your business, here are quick and easy ways to go about it:

01.

Measure how much energy your business uses by taking weekly meter readings. This makes it easier to see when improvements are working, and how much you are saving.

02.

Use low energy light bulbs and replace standard fluorescent tubes with LED tubes.

03.

Install movement detectors to control lighting in areas not in constant or frequent use, such as toilets and meeting rooms.

04.

Use time switches to stop unnecessary use of heating and lighting, and use thermostats to control temperatures.

05.

Install draft-proofing around windows and doors to reduce heating and cooling costs. An insulated building can help reduce heat loss by up to 40%.

06.

Don't leave electrical equipment such as computers and photocopiers switched on or on standby mode for long periods when not in use.

07.

Involve your team. Let them help you to work out an action plan for making the business more energy efficient and therefore more competitive.

08.

Enlist someone as the Energy Champion of your business so they can allocate staff certain responsibilities, e.g. making sure lights are switched off when the team goes home and appliances are turned off at the power point.

09.

Monitor your progress and keep your energy management system under constant review.

010.

Download our FREE energy efficiency poster to make your team members aware of simple energy saving measures – available from myob.com.au/carbontaxfacts



Additional information & support

Got further questions about the carbon tax impacts for your business or industry?
Want to know more about initiatives available to support you?
The following Federal and State/Territory Government contacts may assist.

Clean Energy Future Plan cleanenergyfuture.gov.au

Provides further information and updates on Australia's Clean Energy Future Plan.

T 1800 057 590 Monday to Friday 8.30am – 8pm AEST

E enquiries@cleanenergyfuture.gov.au

AusIndustry ausindustry.gov.au

Provides a range of incentives to help businesses grow. For example, the \$800 million Clean Technology Investment Program and the \$200 million Clean Technology Food and Foundries Investment Program will provide grants to help manufacturers buy new plant and equipment, which cuts their energy costs or reduces carbon pollution.

T 13 28 46 Monday to Friday 8am – 6pm AEST

E hotline@ausindustry.gov.au

business.gov.au

Provides information, tools and resources from the Australian and State and Territory Governments to assist in planning for, starting and running a small business. Also includes a grants finder to assist in identifying relevant grants, and a directory of government and business association contact details for federal, state, territory and local government agencies, and non-government associations that may be of assistance to businesses.

T 1800 777 275 Monday to Friday 8am – 8pm AEST

Small Business Support Line

Provides small business owners with a single point of contact for access to information and referral services to improve their business sustainability and better manage their business.

T 1800 777 275 Monday to Friday 8am - 8pm AEST

E sbsl@innovation.gov.au

State Government Departments

Provide small business support and offer environmental programs to help such businesses manage their carbon footprint.

NSW smallbiz.nsw.gov.au
environment.nsw.gov.au

QLD business.qld.gov.au
derm.qld.gov.au/sustainability

VIC business.vic.gov.au
sustainability.vic.gov.au

TAS development.tas.gov.au/economic/business_point
epa.tas.gov.au/sustainability

ACT business.act.gov.au
environment.act.gov.au

WA smallbusiness.wa.gov.au
energy.wa.gov.au

SA southaustralian.biz/industry_and_business_support
southaustralia.biz/energy

NT nt.gov.au/dbe
dip.nt.gov.au/sustainability



Q&A

Do small businesses have to pay the carbon price?

No, it's not a (direct) tax on households or smaller businesses. The majority of the burden will be carried by around 500 large polluters who will be required to pay for their pollution at \$23 per tonne of emissions. These businesses account for around 60% of Australia's carbon pollution.

However, it will affect other businesses via downstream impacts in areas such as energy costs, freight, transport, business travel and waste removal. This is why it is important for you to plan ahead, analyse your cost base and profit margins, and be prepared to take advantage of opportunities.

What action is being taken by other countries?

- + Australia is not alone in taking action. Around 85 countries have renewable energy targets.
- + 32 countries, including global leaders such as the United Kingdom, Germany and France, have a price on carbon pollution through emissions trading schemes.
- + New Zealand started emissions trading in 2008.

- + 10 countries have introduced forms of carbon taxes - the United Kingdom, India, Switzerland, Denmark, Finland, Norway, Sweden, The Netherlands, Costa Rica and Ireland.

Which industries are impacted by the carbon tax?

Of the polluters required to pay a carbon price, impacted industries include electricity and energy generators, mining, business transport, waste and industrial processes. These large businesses are already known and registered with the Government. Note that the carbon price will not apply to agricultural emissions.

Where will the money raised from the carbon price go?

The Government has stated that more than half of the money raised will be used to assist households, with 9 in 10 households receiving some combination of tax cuts and increased payments to help them with the cost of living impact of the carbon price. With the rest of the money, the Government will be supporting jobs in the most affected industries and investing in other Clean Energy Future initiatives.

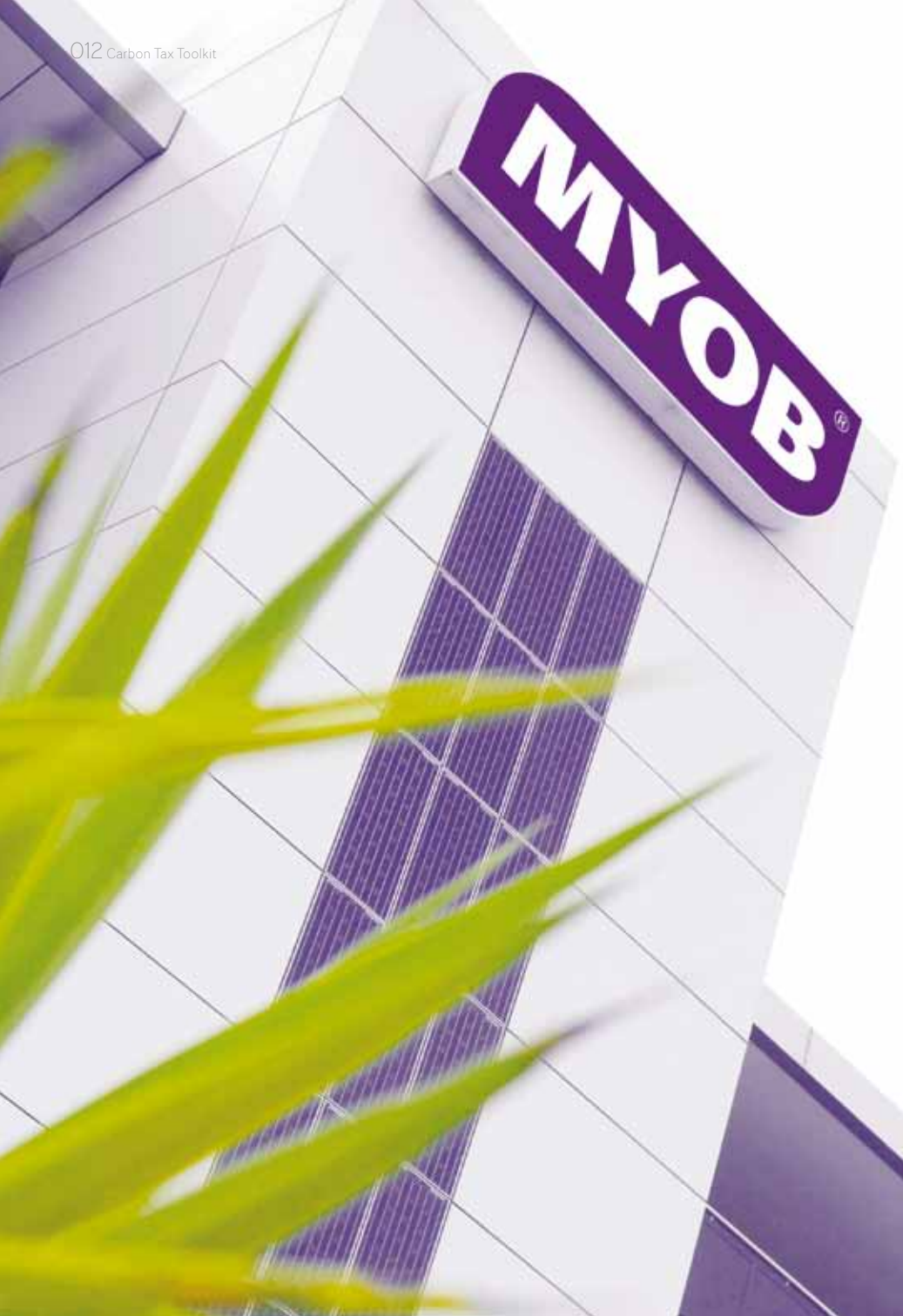
How will consumers be impacted by the carbon tax?

As mentioned, the Government is compensating many households for the expected cost of living impacts of the carbon price through tax cuts and increases in pensions, allowances and benefits. It estimates over 4 million households will receive assistance of at least 20% more than their average expected price impact, which could be good news for business owners if their customers spend what could be extra disposable income.

What happens if businesses mislead consumers about increases in their prices as a result of the carbon tax?

Businesses that make claims about the impact of the carbon price may be required to substantiate these by providing information or documents to the ACCC that support those claims. For more information about your rights and obligations, please refer to the ACCC *Carbon Price Claims - Guide for Business*.





About MYOB

Established in 1991, MYOB is now Australia's largest business management software provider.

Our 50+ products and services have been employed by more than one million businesses in Australia and New Zealand, giving them the freedom to focus on the work they love.

Did you know that only two thirds of Australian businesses use accounting software? Of these, around 60% rely on MYOB accounting software. We serve businesses of all ages, types and sizes, delivering a choice of solutions that simplify accounting, payroll, retail point of sale, inventory, client relationship management, websites and much more.

With a network of more than 20,000 accountants and other professional partners, we provide high quality support along with the tools that help make business life easier. Our nationwide partner network is complemented by online and phone support, so help is always at hand.

Today, MYOB is extending our solutions online and delivering innovation through cloud computing, enabling clients to make smarter connections with their business partners and customers. Check out myob.com.au/smarterconnections for more information.



Backing Australian business

You've worked hard to build your business and the effort you put in is important – to your team, your family, your community and our economy. We believe that should be celebrated, supported and enhanced.

That's why we support businesses with many initiatives including:

- + Working on your behalf with the Government. Whenever there are changes that affect you, we'll track your thoughts and concerns via the MYOB Business Monitor then broadcast them – giving you a voice.
- + Sponsoring the Telstra Australian Business Awards (MYOB was the national winner in 1996).
- + Helping Australian businesses build their own online presence, easily and cost effectively, through the 'Getting Aussie Business Online' initiative we run with our partner Google.
- + Providing you with news, tips, opinion and discussions regarding the SME sector, technology and MYOB products via our MYOB blog, community forum and media material education centre for businesses.
- + Finding and showcasing great Australian businesses through our Love Your Work initiative.

MYOB MEANS BUSINESS

We live and breathe it. More than **1,000,000** businesses and **10,000** accounting practices of all sizes have trusted MYOB for solutions that free up time, so they can focus on the work they really love.

Solutions that embrace the future by simplifying their accounting, payroll, websites and more.

Solutions on the desktop and now in the cloud. Whatever the future means for business, we'll be there.



Accounting
and ERP



Payroll



Tax



Marketing



Websites



Practice
Solutions



Online
Solutions



Switch off

Save Power. Save Carbon. Save Money.

That's just one way to make the carbon tax less taxing.

For free energy saving posters such as this one, visit sustainabilityatwork.com.au/marketing/resources/

sustainabilityatwork.com.au



1300 555 111
customer_service@myob.com
myob.com.au