

# BusinessPlus+ Newsletter



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## Issue Number 108 – September 2014

### We are in Challenging Times!

The Australian economy certainly has a number of contradictions at present:

- The stock exchange values are up.
- Housing finance is up.
- House prices are up.
- Interest rates are still at a very low 2.5%. However, there's an expectation that The Reserve Bank of Australia would like to raise the interest rates to around 3.5%. However, they are reluctant to do so, whilst the currency is at a high value.
- Unemployment rate is now at 6.4% - a very unwelcome increase.
- If the currency starts to fall, one of the things to watch out for will be an expectation that the Reserve Bank will then move to increase interest rates to around 3.5%.

As an SME operator, what can you do about this?

Money is still moving in the economy. Some businesses are being creative to get a larger piece of the pie. Can you do the same?

At this stage, some strategies to think about include:

- Should you be locking in interest rates, in anticipation that interest rates are expected to move upwards in the next few months?
- Could the expenses of operating your business be reduced?
- You could talk to your suppliers to try to re-negotiate prices or negotiate special promotional/marketing assistance.
- Don't forget the core business processes:
  - **Value Creation** – find out what people want and need and create it.
  - **Marketing** – attract attention and build demand for the products and services you've created.
  - **Sales** – the challenge is to turn prospective customers into paying customers.
  - **Value delivery and servicing** – give your customers what you promised and ensure they are satisfied.
  - **Finance** – bring in enough money to keep going and make your efforts worthwhile.

## We are in Challenging Times continued

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- Being aware that failure to register transactions on the Personal Property Securities Register (PPSR) could lead to a business failure. Have you received recent advice from a commercial solicitor? Have you implemented internal systems to alert you of transactions that may be prudent to register on the PPSR?
- Have you checked your labour manning budget and reviewed the various expenses being incurred?
- When planning to be creative, don't forget to talk to your suppliers to see what assistance they could provide.
- What additional revenue could be generated within your business? This would probably require you to be creative and to look at throwing in a few 'gimmicks' that would appeal to your target market.

There is no doubt that we are in challenging times at present. Now is a good time to review your processes to keep your business strong.

If you would like to discuss any aspects of the process review for your business, please don't hesitate to contact the accountant with whom you normally have dealings.

## Romalpa clauses don't work anymore – Unless!

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Under the Personal Property Securities Act (PPSA), a 'Retention of Title Clause' (Romalpa) is no longer effective in itself against a third party claim. This means that, if you supply goods on a 'Retention of Title' basis but don't have a signed '**Terms of Trade**' agreement and 'financing statement' that signified that you've registered a 'security interest' on the Personal Property Securities Register (PPSR), the supplier of the goods or service will lose out if a receiver or liquidator is appointed over the debtor and there are insufficient funds to pay all creditors.

To be effective, 'Retention of Title' agreements and 'Terms of Trade' agreements need to have been drafted after **31 January 2012**, which is the date from which the PPSA commenced operations.

An experienced liquidator has made the following comment:

"As an insolvency practitioner, quite often we are faced with suppliers who have retention of title clauses (Romalpa) in place, but are not aware of the changes in the security regime effective in January 2012. This lack of awareness amazes me and is predominant amongst small businesses. **Unfortunately the business owner generally finds out the hard way, when faced with an insolvency practitioner who tells them that they no longer have the title and/or ownership of goods.**"

- Darren Vardy, Director, SV Partners, Specialist Accountants and Advisers

In the first instance, it's important that small business operators have a **discussion with a commercial solicitor**, to ensure the business is utilising appropriate 'Retention of Title Clauses' (Romalpa) and 'Terms of Trade' that comply with the requirements of the PPSA.

It is then important to ensure an **appropriate system has been introduced into the business**, to monitor all aspects of the transactions and storage of assets of the business, so the business is in a position to make appropriate, timely decisions, as required under the PPSA, on whether the registration should be made on the PPSR.

There are a lot of misunderstandings on this legislation. Some of them are caused by the term '**personal property**'. Many people believe that 'personal property' is not their business' assets. **Under the PPSA, 'personal property' is 'all forms of property other than real estate', ie, 'personal property' includes a vast range of 'business property'.**

**Registration on the PPSR is voluntary.** This has led many people to believe that it's not necessary to give consideration to registering transactions on the PPSR. Unfortunately, that assumption is very wrong. **Failure to register a significant transaction has the potential to financially ruin a business.**

If you would like to discuss a PPSR due diligence review of your business, please contact the accountant in our firm with whom you normally have dealings.

## Government Grants for SME's

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### Changes to Business Evaluation and Business Growth Grants

Last month, we commented on the Business Evaluation and Business Growth Grant, part of the Entrepreneurs' Infrastructure Program.

The Australian government has since announced some significant changes to these grants which has resulted in the following industries being withdrawn from the eligible industries for support:

- Defence
- Energy, Water and Waste Management
- Tourism Sector
- Creative Industries
- Medical, Hospitals and other Health Care Services were withdrawn from industries eligible under the category 'Medical Technologies and Pharmaceuticals'

There were also changes made to the definition of an eligible business in remote locations.

The revised list of eligible industries for the Business Evaluation program and the Business Growth Grant are as follows:

- Advanced Manufacturing
- Food and Agribusiness
- Medical Technologies and Pharmaceuticals
- Mining Equipment Technology and Services
- Oil, Gas and Energy Resources

Enabling Technologies and Services – this relates to businesses that provide enabling and supporting technologies or services to one or more of the five growth sectors, as listed above, from the following industries:

- Freight and Logistics
- Infrastructure Related Construction (including construction, energy, transport, water, communication and waste)
- Information and Communication Technology (ICT)
- Professional Services

If your business is from one of these four categories, you could be eligible, if you're working with one of the five growth sectors mentioned above.

The eligibility requirements for the industries identified in this article are as follows:

- The business must be operated by a company or by a company acting as trustee of a trust.
- The minimum turnover requirement is \$1.5million (\$750,000 in remote and very remote locations) and the maximum turnover is \$100million.
- The business must have been operating for three years.
- Grants of up to \$20,000, on a 50/50 basis, are available to assist SMEs to instigate business improvement strategies.

If you would like to have a discussion with us relative to contact being made with an Entrepreneurs' Infrastructure Program business adviser, to register your business for the Business Evaluation program and, subsequently, the Business Growth Grant, please contact the accountant with whom you normally have dealings.

### Export Market Development Grant

The Export Market Development Grant aims to assist with the development of exports by Australian businesses. Businesses that have spent in excess of \$20,000 on eligible export market development activities are able to claim 50% of that expenditure, up to a maximum of \$150,000. Applications have to be lodged by 1 December 2014.

## Characteristics of a well run Business – Part 13

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Well-run businesses have systems in place to ensure ongoing advice is received regularly from selected professional advisers, including:

- Accountant
- Solicitor
- Financial Planner
- Marketing Consultant
- Sales Consultant
- Banker or Lender

This can include:

- Utilising your accountant as a 'virtual Chief Financial Officer (CFO)', to ensure accurate, prompt financial data, key performance indicators, financial accounts and budgets and cashflow forecasts are available at the end of every month or, at the latest, the end of every quarter throughout the year.
- Have regular board of advice meetings, on a monthly or quarterly basis, to review the operations of the business.
- At least an annual meeting with your solicitor for an 'annual legal review' of changes happening pertaining to the law.
- If not yet done, meeting with your commercial solicitor on the impact of the Personal Property Securities Act (PPSA) on your business.
- There have also been many other commercial law changes over the last 12 months. What effect have these law changes had on your business operations? Have you implemented new procedures to account for them?

In many ways, small businesses are no different to big businesses. The CEO of a large corporation has a range of in-house experts available to assist, virtually on a 24/7 basis, on financial, production, marketing, sales, legal and other key requirements for the business. A small business operator also encounters significant issues on finance, production, marketing, sales, legal, etc.

Therefore, it's important that the small business operator has established a network of key advisers he/she can communicate with on a regular, ongoing basis, to improve the business' performance.

## Bitcoin – ATO's Rulings

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'Bitcoin' is a new, 'hip' and happening method of payment in lieu of normal currency and it appears that the Australian Taxation Office (ATO) is now taking this other crypto-currency seriously.

The ATO has released three draft rulings in which they've set out the ATO's position, whereby the crypto-currencies are deemed to be either a capital gains tax asset or trading stock, depending on whether the taxpayer is a business or an individual.

- For individuals with 'bitcoins', any transactions will most likely have no GST or income tax implications if the 'bitcoin' is worth less than \$10,000.
- Businesses will have to treat the 'bitcoin' currency in a similar manner as to a barter transaction or as trading stock with the relevant GST issues.

The rulings are only draft at this stage and are still to be finalised.

If you would like to have a discussion with us relative to the proposed taxation treatment of 'bitcoin' currency, please don't hesitate to contact the accountant with whom you normally have dealings.

## What services can Accountants offer – Part 6

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### Buying A Business

If you are contemplating purchasing a business, you need to assemble information on the business for a business evaluation to be prepared. The information includes:

- Copies of financial accounts, in particular, the trading and profit and loss accounts for the last three to five years.
- The balance sheets for each of those years.
- Details of salaries and other payment for owners and family members, paid out in each of those three to five years.
- Details of rent paid for any real estate that's owned by the business or the family members.
- Copy of the debtors' aged analysis.
- Access to the financial records of the business.

There are a number of personal questions that you should ask yourself:

- Is the acquisition purely a business investment? If so, what rate of return are you seeking?
- Are you planning to work in the business?
- Will owning and operating a small business suit your family and your lifestyle?
- Have you had training in any particular business/industry?
- What type of knowledge do you have in:
  - Market Research;
  - Customer Relations;
  - Employee management
  - Preparation of marketing plans
  - Budgets and cashflow forecasts;
  - Selling?
- Have you had a look at the market in which the business operates?
- What are the trends in the market?
- What share of the market does the business currently have?
- Do you expect to increase the share of the market? If so, have you developed particular strategies to be utilised to increase the market share?
- Have you prepared a list of the competitors?
- Have you determined the competitors' strengths and weaknesses?
- From the process, have you been able to identify opportunities to successfully market against those competitors?
- Have you identified any threats that are likely to emerge from the current competitors or potential new competitors?
- Have you had a good look at the business location?
- Are neighbouring businesses compatible to your business?
- From where do your customers come?
- Can customers obtain easy access to your business?
- Are there any changes planned by main roads, railways or local council that might change the traffic flow in the area in which the business is located?
- Have you assessed your strengths and weaknesses?

If you're contemplating a business and you would like our assistance to evaluate the business, please contact us.

## Tax Update

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Some aspects of the government's budget have passed through the Senate and are now law, such as:

- For high income earners, the top marginal tax rate, which now includes the 'deficit repair levy', is 49%.
- The government has undertaken to review the imposition of the 'deficit repair levy' on 30 June 2017.
- From 1 April 2015, the fringe benefit tax will increase to 49%.
- Superannuation contribution rate for 2014/15 is 9.5%.

## Important Dates

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- 21 September** Monthly Activity Statement – August 2014. Due date for lodgement and payment.
- 30 September** **PAYG withholding payment summary annual report** – due date for lodgement for:
- Payers whose registered agent (BAS or tax agent) helped prepare the report. If a payer has only closely held payees and their tax agent helps prepare their report, they may be eligible for a concession to lodge this report by the due date of their tax return.
- Annual TFN withholding report 2014** – due date for lodgement when a trustee of a closely held trust has been required to withhold amounts from payments to beneficiaries.
- 21 October** **Annual PAYG Instalment Notice** – (Form N) Due date for payment. Lodgement only required if the instalment amount is varied or the rate method to calculate the instalment has been used.
- Quarterly PAYG Instalment activity statement** – Quarter 1, 2014-15. For head companies of consolidated groups. Due date for lodgement and payment.
- September 2014 Monthly Activity Statement** – due date for lodgement and payment.
- 28 October** **Quarterly activity statement** – Quarter 1, 2014-15. Due date for lodgement and payment of paper lodgements.
- Quarterly instalment notice** – (form R, S or T) Quarter 1, 2014-15. Due date for payment. Lodgement only required if you vary the instalment amount.
- Super Guarantee Contributions** – Quarter 1, 2014-15. Contributions to the fund to be made by this date.
- Annual Activity Statement for TFN withholding for closely held trusts** – due date for lodgement and payment where a trustee of a closely held trust withheld amounts from payments to beneficiaries during the 2013-14 income year.
- 31 October** **Appoint a tax agent** – final date to appoint a tax agent to the income tax role for new clients. If appointment is advised after this date then clients 2014 tax return may not be covered by your lodgement program. Lodgement program is a concession to registered agents.
- Tax returns** – for all entities if one or more prior year returns were outstanding as at 30 June 2014 meaning all prior year returns must be lodged. Self-managed super funds (SMSF) in this category must lodge their complete Self-managed superannuation fund annual return by this date.
- Tax returns** – for all entities prosecuted for non-lodgement of prior years' returns and advised of a lodgement due date of 31 October 2014.
- Some prosecuted client may have been given a different lodgement due date. Refer to the letter received for the applicable due date.
  - Payment (if required) for individuals and trusts in this category is due as advised in the Notice of Assessment
  - Payment (if required) for companies and super funds in this category is due on 1 December 2014.
- SMSF's in this category must lodge their complete self-managed superannuation fund annual return by this date.

## Important Dates Cont.

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31 October

**Annual investment income report (AIIR)** – Due date for lodgement

**Departing Australia superannuation payments (DASP) annual report** – due date for lodgement

**Franking account tax return** – due date for lodgement when both of the following apply:

- The return is a disclosure only (no amount payable).
- The taxpayer is a 30 June balancer.

**PAYG withholding annual report no ABN withholding (NAT 3448)** - Due date for lodgement.

**PAYG withholding from interest, dividend and royalty payments paid to non-residents (NAT 7187) annual report** – due date for lodgement. This report advises amounts withheld from payments to foreign residents for:

- Interest and unfranked dividend payments that are not reported on an annual investment income report (AIIR)
- Royalty payments.

**PAYG withholding annual report payments to foreign residents (NAT 12413)** – Due date for lodgement. This report advises amounts withheld from payments to foreign residents for:

- Entertainment and sports activities
- Construction and related activities
- Arranging casino gaming junket activities.

**Lost members report** – 1 January 2014 to 30 June 2014.

**TFN report for closely held trusts** – TFN's quoted to a trustee by beneficiaries in Quarter 1, 2014-15

## An Important Message

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*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*

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***We are sometimes asked if we are able to help additional clients.  
We are a growing firm and do appreciate your referrals.  
We consider it a compliment when you recommend us to your friends and business contacts.***



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