

BusinessPlus+ Newsletter



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Personal Property Securities Register – A ‘Potential Time Bomb’

Lack of knowledge of the Personal Property Securities Act (PPSA) and the Personal Property Securities Register (PPSR) could be a **‘time bomb’ for businesses**.

Millions of dollars has already been lost by businesses that paid for an asset but had not registered that asset on the PPSR. Whilst it’s voluntary to register, if you have a transaction that you wish to register, you have to do so within a very tight registration time period. A business needs to be continually reviewing transactions with:

- debtors
- loans made;
- Intellectual property agreement;
- service company arrangements; and
- asset rental, lease or storage,

to determine whether those transactions need to be registered on the PPSR.

As one of the key criteria for making a decision on whether to register on the PPSR, businesses need to determine their level of ‘financial tolerance’ to a potential business problem. If a registration is not made, whilst there may be no immediate problem (indeed, there may never be a problem), there’s a possibility that, sometime in the future, there could be an ‘insolvency event’ with a customer, borrower, hirer, lessee or property owner where one of your assets is stored. This really is a potential **‘commercial time bomb’**.

If you haven’t already done so, we recommend you contact a commercial solicitor for advice on a ‘Terms of Trade’ agreement and ‘Retention of Title’ agreement that comply with the PPSA legislation. If you had these agreements prepared prior to January 2012, the agreements probably don’t comply with the PPSA legislation. It’s a good idea to have a due diligence review of your systems, to ensure you have the ability to make decisions within the very tight registration time frame, if you wish to register a particular transaction on the PPSR. We can assist in undertaking a due diligence review of your preparedness for the effects of the PPSA legislation.

Businesses that need to be especially diligent, relative to the PPSR requirements, include:

- Retail
- Restaurants
- Hospitality
- Wholesale Suppliers
- Livestock Owners
- Trades and Contractors
- Ingredient Suppliers
- Manufacturers
- Farm Suppliers
- Livestock Feed Suppliers

Personal Property Securities Register – Continued

- Thoroughbred Horses
- Portable Building Renters
- Farmers with Crops
- Artists and Sculptors
- Livestock Feed Suppliers
- Equipment Renters

When the GST was introduced, there was a major business education campaign, funded by the government. Unfortunately, there hasn't been a major campaign relating to the effects of the PPSA and the PPSR. **Whilst the GST couldn't send a business broke, ignorance of the PPSA and the PPSR could cause major financial problems for a business.**

If you would like us to conduct a review of your internal systems, relative to the identification of transactions or asset rentals, leases, etc., relative to the PPSR, please don't hesitate to contact the accountant with whom you normally have dealings.

Digital Disruption – Strategies to Minimise Effects

Two years ago, Deloitte Chartered Accountants (one of the Australian Big 4 firms) produced a report, 'Digital disruption – short-fuse, big bang?'

Deloitte has recently updated that report and has identified that 17 industries, comprising 65% of the Australian economy, **will face significant disruption by 2017**. Deloitte grouped the industries into the following categories:

Short-fuse, big bang

- Retail Trade
- Arts and Recreation
- ICT and Media
- Finance
- Business and Professional services
- Real Estate
- Construction

Long-fuse, big bang

- Education
- Agriculture
- Government services
- Health
- Transport

Short-fuse, small bang

- Accommodation and Food services
- Wholesale Trade
- Construction

Long-fuse, small bang

- Manufacturing
- Mining

Whilst each of these industries have different characteristics and different time frames, Deloitte suggested that, to minimise threats posed by 'digital disruption' and to maximise an organisation's 'digital potential', it's all about ensuring businesses are 'digital survivors'. Deloitte's suggestions included:

- Recalibrating cost structures.
- Replenishing revenue streams.
- Reshaping corporate strategies.

'Digital transformation' is a journey of continuous improvement. To survive and prosper during these challenging times, businesses need to "put customers at the centre of their experience and then balance competing interests and elements – whether people, platforms or planning." – Deloitte

We are happy to assist you with the development of strategies to help minimise the effects of 'digital disruption' on your business. The industries that are under significant short-term problems are those mentioned under the 'short-fuse, big bang' and 'short-fuse, small bang' categories.

If you would like to have a discussion relative to your business, please don't hesitate to contact us.

Government Grants for SME's

Export Market Development Grant

To be able to claim an Export Market Development Grant, the business must have spent the funds to seek out, create demand for or develop an export market for the business' products. The business must be the intended principal in the export transactions. The expenses that relate to export activities to New Zealand, North Korea or Iran are not eligible for the Export Market Development Grant.

Virtually any type of Australian-based business entity can apply for the Export Market Development Grant, as long as the business has an Australian Business Number (ABN) and a turnover of under \$50million. First time applicants can combine the current year with the previous year to have two years' expenditure in the first year of claim, if this is needed to aggregate more than \$20,000.

Eligible expenditure includes expenditure of the following:

- Overseas representation (subject to a maximum of \$200,000 per application).
- Marketing consultancy – reimbursement of short-term 'arms-length' consultants for market research and marketing (maximum of \$50,000).
- Overseas market visits – including economy airfares (only 65% of first class airfares may be claimed).
- Accommodation – living and entertainment allowance to a maximum of \$300 per day.
- Communication costs – relative to overseas markets.
- Free product samples.
- Trade fair registration fees.
- Display booth rentals, etc.
- Promotional material – including advertising, brochures, videos and CDs.
- Overseas buyers – cost of bringing an overseas buyer to Australia (maximum of \$7,500 per buyer per visit, maximum of \$45,000 per application).
- Registration and insurance of eligible intellectual property.

The Export Market Development Grant applications have to be lodged by Monday 1 December 2014. If you would like our assistance in the preparation of the Export Market Development Grant application or reviewing your system relative to a claim being made, please don't hesitate to contact us.

Research Connections Grant

The Department of Industry, via AusIndustry, has announced the commencement of Research Connections. This grant is available to assist in the development of new ideas with commercial potential, as well as helping eligible businesses to identify any knowledge gaps that are preventing business growth.

Eligible businesses are companies or corporate trustees on behalf of a trust, which operate in one of the following sectors:

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

Supply enabling technologies and services to these businesses, if the business is involved in:

- Freight and Logistics
- Infrastructure Related Construction
- Information and Communication Technology (ICT)
- Professional Services

The business must have lodged three consecutive annual business activity statements and have a turnover of at least \$1.5million and a maximum of \$100million, except for businesses operating in remote Australia, where the minimum turnover is \$750,000 and maximum turnover of \$100million.

Eligible applicants must undergo an application process and be able to fund the total value of the cost of the research connections project before claiming payment of the grant fund. Applicants must also demonstrate a need for Australian government funding and demonstrate that the research will support a project of commercial relevance to the business.

Government Grants for SME's continued

Grants of up to \$50,000 (excluding GST) are available. The grant may be expended on the following:

- Salary of the researcher
- Salary on-costs
- Student allowance (if a university student has been hired).
- Travel and accommodation where the research activity requires a researcher to undertake significant domestic travel.
- Research organisation administration costs (up to 30% of total project costs).

If you're undertaking a project that could benefit from assistance from research connections and your business complies with the eligibility requirements, please contact us for a discussion and we will assist with the application process.

Economic conditions still challenging

The national growth rate is now over 3%, which many economists believe is 'back on track'. This means that there should be more money available for spending which, in the long term, will assist businesses.

There are some odd trends emerging:

- The employment rate, which for most of the global financial crisis period remained in the 5% band, is now approximately 6.2%.
- Housing approvals are up by approximately 6%. However, car sales have dropped by approximately 1%.
- Inflation is currently at 3%, which is the upper rate that was set by the Australian Reserve Bank in its targets for this year.
- Corporate profits are up by 3.2% (reflected in the profit rates).
- There are still concerns about business' confidence relating to the government's ability to undertake the budget repair work that is desperately needed.
- The mining industry investment boom is over, with mining activities now commencing in many new locations. However, the mining industry has been affected by the significant drop in iron ore prices over a short period of time.
- Interest rates are remaining at 2.5%. Whilst there is some speculation that the Australian Reserve Bank Board of Directors would like to increase the cash rate, the Board doesn't wish to increase the interest rate until the Board is relatively confident that an upward movement of the interest rates will not further strengthen the currency.
- Exchange rates have started to move in the last couple of weeks, which is great news for exporters. However, importers will pay more for their products. The movement down of the exchange rate is expected to significantly benefit the tourism industry.

With growth over 3% and interest rates at 2.5%, some businesses will be able to see some light at the end of the tunnel. However, for many businesses, the challenges will continue in the next few months.

Characteristics of a well run business – Part 14

Network

To be successful in business, you will need to develop networks. Networks could be formed with

- Suppliers;
- Other business operators within your location; and
- Other people in the same industry,

for:

- sharing ideas, concepts and benchmarking; and
- expert advice if you need specialised advice in certain areas (eg sales, marketing, engineering, environmental concepts, legal).

Networking is a great way to increase your knowledge and to increase your 'sphere of influence' within your business, profession or local area of operations.

What services can Accountants offer – Part 7

In this edition, we've discussed some of the problems posed by the PPSR and 'digital disruption'. The types of services our firm can offer you include:

- Undertaking a detailed due diligence review of your business' systems, to ensure you're able to monitor any potential transactions you might want to consider registering on the PPSR, on a day-by-day basis.
- Undertaking work to assist businesses to survive the 'digital disruption' period, including:
 - Analysis of your financial performance by undertaking business health checks (calculation of KPI's, ratios and undertaking benchmark comparisons)
 - Debtors' review
 - Budgets and cashflow forecast preparation
 - Business plan preparation
 - Succession planning
 - Preparation of your business for sale
 - Buying a business

If you wish to discuss any of these services with us, please contact the accountant within our firm with whom you normally have dealings.

Developing Leadership 'People Skills'

The high cost of replacing staff is well known, as is the evidence that the majority of people leave their jobs, not because of the type of work they're required to do, but because of poor relationships with their managers. The managers might ensure the processes, procedures and systems are done right, but have little idea about the right approach to take in leading people. Skill and genuineness in dealing with people is the key to effective leadership. Whilst it's vital to gain the respect of your team, it's not necessary to try to be popular. The key points are:

- Involve team members in determining shared behaviours to be agreed and followed by all and endorse support and practice those which you agree.
- Attitude influences behaviour, so ensure your attitude and behaviours reflect those you wish others to adopt – be genuine and set the example.
- Everybody is different, so adjust your leadership style with individuals as they develop in confidence and commitment.
- Practice good leadership continually to foster the development of strong relationships and mutual trust.

If you would like to have a discussion in relation to the development of the leadership strategy within your business, please don't hesitate to contact us.

Important Dates

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.

Important Dates Cont.

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.

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

Important Dates Cont.

- 21 November** **Monthly Activity Statement** – October 2014 - Due date for lodgement and payment
- 25 November** **Quarterly Activity Statement** – Quarter 1, 2014-15 - Due date for lodgement and payment if lodging via one of the following:
- Electronic Commerce Interface (ECI)
 - Electronic Lodgement Service (ELS)
 - Tax Agent Portal
 - BAS Agent Portal
 - Standard Business Reporting (SBR)
- 28 November** **Superannuation guarantee charge statement** – Due date for lodging. Quarterly and paying the super guarantee charge for quarter 1, 2014–15, if the employer did not pay enough contributions on time.
- Employers who lodge a Superannuation guarantee charge statement – quarterly can choose to offset contributions they paid late to a fund against their super guarantee charge for the quarter. They will still have to pay the remaining super guarantee charge to us.
- Note: Super guarantee charge is not tax deductible.

An Important Message

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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