

Q1 2017

BUSINESS MATTERS

Strategies
for managing
your business



INSIDE:

- Tips for improving cash flow
- New safe harbour for car fringe benefits
- Preparing for public holidays in 2017
- Intellectual property law basics
- And more

 **connole·carlisle**
CHARTERED ACCOUNTANTS

New Year's Resolutions for 2017

The start of the New Year is generally a time to reflect on the previous year's achievements and challenges and work towards setting new goals.

The New Year can offer business owners a powerful motivation for business growth. Whether you want to expand your business or increase your network; goal-setting plays a critical role in achieving success.

Here are five business resolutions to consider for 2017:

Review your business plan

The beginning of the year is a great time to review and update your business plan. An annual review is a good opportunity to measure performance, set targets and assess any opportunities for growth. Depending on your direction, you may need to change key elements of your plan i.e. your marketing strategy, competitive advantage, vision or even your target markets.

Improve relationships

Building and maintaining relationships is a solid part of running a business. Minor problems with suppliers, customers, staff or community members can quickly unfold if they are not addressed in the right manner. Commit to improving your communication style by demonstrating assertiveness, providing constructive criticism and ultimately, being open and honest in all of your interactions.

Manage cash flow

Monitoring and planning cash flow is important at every stage of the business lifecycle; even the most profitable

businesses can fail if too much cash is tied up. Business owners should evaluate how much working capital is needed for their day-to-day business operations and then plan ahead.

Review your current invoicing system to check your account receivables are collected on time, consider cutting down on inventory and ask customers for a deposit before supplying goods. Also, be sure to have some sort of buffer to account for any unexpected expenses.

Focus on networking

Consider joining a professional networking group or new business organisation to meet like-minded individuals in your industry. A large networking circle can help you access new business opportunities, expand your knowledge within a field and raise your professional profile. Participating in networking activities and events often leads to more connections, which can help generate referrals and works on the principle of word of mouth marketing.

Create a productive work environment

The physical characteristics of a work space can have an enormous impact on productivity, health and safety, and comfort. A well-planned office space can assist employees to carry out their daily task effectively.

Elements such as lighting, colour, layout and noise all contribute to a positive and productive work environment. Ideal work environments are exposed to a significant amount of natural light, are free from clutter and control noise.

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Tips for improving cash flow

Maintaining appropriate cash flow is a critical component of running a successful business.

Despite this, running out of liquid capital is one of the most common reasons that small businesses fail. Monitoring cash flow and planning accordingly is important at every stage of the business lifecycle; however, it is especially critical that businesses experiencing rapid growth remain acutely aware of their cash availability.

Maintaining positive cash flow can be a struggle for many businesses, but setting realistic goals for cash flow management can help make a business profitable and generate enough cash to offset monthly expenses.

Make it easy

Making it easy for customers to pay you

on time is one of the best ways to ensure they do. Whether that involves investing in some new technology, taking your invoicing online or implementing some new payment methods, making sure it is easy for customers to pay you on time will definitely pay off in the long term.

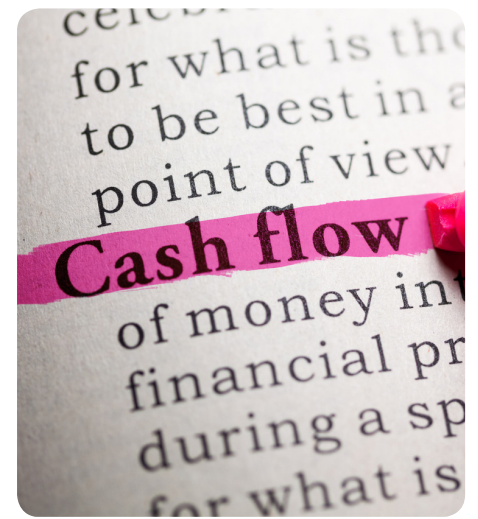
Use an automated follow-up system

An automated follow-up system will send recurring reminders to your accounts receivable at pre-set dates. This helps to keep track of the status of your accounts and can reduce both time and human error.

Invoice quickly

You need to invoice your clients quickly, as there will already be a delay between them receiving the invoice and making the payment. Many businesses

inadvertently shoot themselves in the foot by failing to invoice in a timely manner.



New safe harbour for car fringe benefits

Late last year saw the Australian Tax Office (ATO) develop a safe harbour for car fringe benefits.

A safe harbour is a guideline that allows Australian businesses to make use of an efficient way to calculate tax where certain conditions are met.

After collaborating with other industry representatives, the ATO developed a particular safe harbour that simplifies the approach for working out the business use percentage of car fringe

benefits for fleets of 20 cars or more.

The new approach reduces the recordkeeping burden for businesses and allows them to use an 'average business use percentage' when using the operating cost method.

Businesses can access the safe harbour and use this new simplified approach if they have:

- a fleet of 20 or more 'tool of trade' cars, which are not part of salary

packaging arrangements and cost less than the luxury car tax limit in the year acquired

- a mandatory logbook policy and hold valid logbooks for at least 75 per cent of the cars in the logbook year

Businesses can use the logbooks to calculate the fleet's average business use percentage to all tool of trade cars held in the fleet in the logbook year and can use that percentage for the following four years.

Are you short-changing your employees on super?

A new report has revealed around 2.4 million or almost one third of Australian workers are missing out on some or all of their super entitlements and little is being done about it.

Under the Superannuation Guarantee (SG), employers must contribute 9.5 per cent into the super account of every worker over the age of 18 earning \$450 a month.

But, according to data from the Australian Taxation Office and Australian Bureau of Statistics, many Australian employers are dodging compulsory superannuation payments to the tune of \$3.6 billion a year (2013-2014). This equates to \$1,489 or close to four months of super for the average worker affected.

Small and medium-sized businesses were found to be least likely to pay SG and workers under the age of 30 were more likely to miss out; 37 per cent of 20-24 year-olds compared to 23 per cent of 50-54 year-olds.

Currently, employers have up to four months to pay SG. SG payments must be made to complying funds or retirement savings accounts (RSAs) by the quarterly due dates, which are 28 days after the end of each quarter.

Employers who don't pay the minimum amount of SG for their employee into the correct fund by the due date, may have to pay the super guarantee charge (SGC).

The SGC is made up of: SG shortfall

amounts calculated on the employee's salary or wages; interest on those amounts (currently 10 per cent) and an administration fee (\$20 per employee, per quarter).

Employers who fail to meet their SG obligations may also be liable for a range of penalties or charges on top of the super guarantee charge.

Paying super is an important part of being an employer. To ensure your business remains compliant, remember to: pay the right amount (9.5 per cent) of employee ordinary time earnings; pay on time; pay the right way and keep records to show you have met your obligations. Also, it is important to note that super is only tax deductible if paid on time.

Preparing for public holidays in 2017

It is every employer's responsibility to know the days a public holiday falls on since employees in Australia can receive different entitlements on these days.

Fair Work Australia makes it pretty clear that every employee in Australia is entitled to take a day off on a public holiday. Full time and part time employees who would normally have worked on the public holiday are entitled to be paid their base pay rate for the day off. Casual employees are entitled to take the day off, but they are not entitled to be paid for it.

Employees (except casual employees) who normally work on the day a public holiday falls are paid their base pay rate for the ordinary hours they would have worked if they had not been away because of the public holiday. The base pay rate does not include any incentive-based payments; bonuses; loadings; monetary allowances; overtime or penalty rates. An employee's roster cannot be changed to deliberately avoid this payment.

All employees have a right to be absent

from work on a day or part day that is a public holiday.

The Fair Work Act outlines the key public holidays celebrated in Australia, including Christmas Day; Boxing Day; New Year's Day; Australia Day; Easter; Anzac Day and the Queen's Birthday. However, it is important to note that public holidays can be different depending on the state or territory you work in, and the Act recognises this.

Sometimes a state or territory will have additional public holidays or substitute a normal public holiday for another day. This usually happens when the holiday falls on a weekend. For example, last year when Christmas Day fell on a Sunday, an additional day public holiday was provided on the Tuesday during the following week.

Employers can ask employees to work on a public holiday if their request is reasonable. Employees can also refuse to work on that public holiday if their refusal is reasonable. When considering if a request or refusal is reasonable, both parties should take the employee's personal circumstances into consideration,

as well as aspects such as the needs of the business.

If an employee is covered by an award or agreement and they work on a public holiday, they may be entitled to extra pay called a 'penalty rate,' a different paid day off, or an extra day added to their annual leave.

During periods of annual leave and sick leave, employees are still entitled to a public holiday. Annual leave and sick and carer's leave balances are not reduced by a public holiday that falls during a period of leave.

Employees are also entitled to public holidays depending on where they are based for work not where they are working on the day of the public holiday. For example, when Mr Smith, an employee of a Melbourne-based business is sent to Sydney to perform work during November, the Melbourne Cup public holiday is observed. As his base of employment is Melbourne, he is entitled to the public holiday entitlements for that day, even though it is not a public holiday where he is physically working.

Intellectual property law basics

While intellectual property can be a valuable business asset for business owners, it must be legally protected if a business owner wants to increase the value of their business.

Intellectual property can add further value to a business when it is sold. Intellectual property is the collection of ideas and creations of your mind or intellect such as trademarks, logos, concepts, designs, computer programs and so on.



Most businesses will have some form of intellectual property that derives commercial value.

There are several types of legal ownership available depending on the nature of the intellectual property. The most commonly used types are trademarks, patents, design rights, domain names and copyright.

Trademarks

A trademark is a right granted to a sign or device used by a business to distinguish its goods and services from other businesses. They can take the form of a letter, number, word, phrase, sound, smell, shape, logo or picture.

Although it is not compulsory to register a trademark, registering provides exclusive rights to use the trademark across Australia for commercial purposes and assign, transfer or sell the rights of the trademark to another business.

Design rights

A design can refer to the features of a shape, configuration or pattern that gives a product its unique appearance. Examples of a design include a logo, branding, packaging and so on. A registered design gives the owner exclusive rights to

commercially use, sell or licence it.

Patents

A patent is a right granted for any device, substance, method or process which is new, innovative and useful. If you have developed a new product or process, you may consider applying for a patent.

There are two types of patents in Australia; the "standard" patent provides long-term protection for 20 years or more and the "innovation" patent lasts for up to eight years and applies to innovations that would not qualify for a standard patent.

Copyright

Copyright is a free and automatic legal right applied to any original work such as art, literature, music, films and so forth. Copyrights do not have to be registered for ownership. You cannot copyright ideas, the works must be tangible.

Domain names

A domain name is your website address on the internet. It helps to form your business' identity and allows your customers to find your business online. To register a domain name it must be unique and not already registered as a business name, company, or a registered or pending trademark.

Optimising your LinkedIn

Having an optimised LinkedIn profile is key to gaining maximum online visibility and revenue through the professional social network.

With more than 400 million users worldwide, LinkedIn is arguably the most valuable social media platform for business recruiting, networking and business-to-business (B2B) marketing.

The online site can also be used as an educational resource since users can learn from interacting with other professionals through group discussions, conversations and online networking.

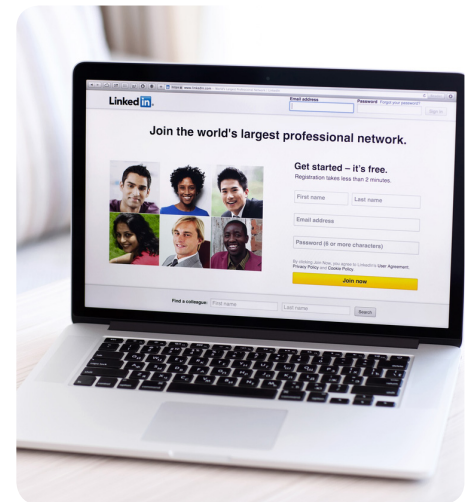
Like all social media sites, LinkedIn is a crowded platform, so putting in a little extra effort to stand out can go a long way. Here are some tips for business owners looking to get the most out of the professional social media site:

Have a strong profile: A professional headshot is first and foremost - not only will it help make a good first impression but it

can lead to more profile views. Ensure your headline is succinct and makes it easy for others to define your role in your industry. Profiles with completed sections have a higher chance of appearing in search results so it is worth adding supplementary content. Showcase your background story and professional expertise by sharing content or adding certificates and memberships.

Focus on interacting with others: Join groups in your industry, and attempt to start group conversations in at least two of them. Participating in group discussions is a great way to connect with other industry professionals and build your network. Another way to interact on the platform is to endorse your connections, which acknowledges a certain skill on an individual's profile. Endorsing others is an effective way to keep strong connections with the people in your network and hopefully they will endorse you back.

Ask for recommendations: Encourage satisfied customers, clients, business



partners or colleagues to write a recommendation, which will feature on your profile. Recommendations will improve your credibility and trust, especially to new customers viewing your profile. It is good practice to return the favour by writing recommendations for businesses and people you have had pleasant experiences with.

Common GST mistakes

Despite the Australian Tax Office's education campaign on GST reporting, many small business owners continue to make errors when claiming GST credits in their GST returns or Business Activity Statements.

The vast majority of errors are easily avoidable and relate to the over-claiming of GST credits. Here are the top ten common GST mistakes:

Residential rental property: Incorrectly claiming GST credits on expenses relating to residential rental properties where the entity is registered for GST.

Bank fees: Generally, annual fees, monthly fees and loan establishment fees are input-taxed, and therefore, there is no GST to claim. However, GST is charged on credit card merchants' fees and can be claimed.

Private expenses: GST is not claimable on private expenses such as personal loans, director fees and drawings etc.

Interest: Interest paid on loan or chattel mortgage repayments or credit card payments does not incur GST, and cannot be claimed.

The total cost of a business insurance policy: Insurance policies usually include stamp duty (which is GST-free), however, the rest

of the policy is subject to GST. A GST credit cannot be claimed on the stamp duty portion of the policy as no GST is paid.

Government fees: GST is not charged on government fees i.e. council rates, land tax, ASIC filing fees, motor vehicle registration and water rates, and therefore, GST credits cannot be claimed.

GST-free purchases: Incorrectly claiming GST credits on purchases without GST, such as basic food items, exports and certain health services is a common mistake. Remember not all suppliers are registered for GST, so check the tax invoice before claiming a credit.

Entertainment expenses: Claiming the entire GST credits on entertainment expenses where the business has elected to use the 50/50 split method for fringe benefits tax is incorrect. Only 50 per cent of the GST credits can be claimed.

Wages and superannuation payments: Both wages and super do not attract GST and cannot be claimed. Wages are not an expense to be included in G11; they are to be reported in W1 in your BAS. Superannuation is not included in BAS.

Sole traders and partnerships: When claiming expenses that are used for both

private and business use, you must apportion the expenditure to exclude private usage.

Important tax dates

21 JANUARY

Lodge and pay quarterly PAYG instalment activity statement for quarter 2, 2016-17

21 JANUARY

Lodge and pay December 2016 monthly business activity statement

28 JANUARY

Last date for employers to make super guarantee contributions for quarter 2, 2016-17.

21 FEBRUARY

Lodge and pay January 2017 monthly activity statement.

28 FEBRUARY

Pay quarterly instalment notice (form R, S or T) for quarter 2, 2016-17