

Q1 2015

# BUSINESS MATTERS

Strategies  
for managing  
your business



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 **TAGGART**  
& PARTNERS  
Accountants & Business Advisors

## Business resolutions for 2015

*The new year is always a great opportunity for business owners to take a step back and think about what they can do to improve on previous years.*

Sometimes, the answers are glaringly obvious, but in other instances, you may have to think a little outside the box.

Even if you are entirely satisfied with your business's performance, it is no excuse to sit on your laurels. Circumstances beyond your control can impact your business's viability, so you need to remain vigilant. Furthermore, there is always room for improvements in every business, so you should never feel that you have nothing left to work on.

Here are our top five business resolutions for business owners in 2015:

### Rethink your social media marketing

With all the hype surrounding social media marketing, it is not uncommon for businesses to fall into the trap of making social media content for its own sake. This can be a costly mistake, and may even damage your brand in some circumstances. Concentrate on making sure that your social media marketing is informative, creative, and, most importantly, reaching the right audience.

### Share your vision

If you have a vision for your business you should share it with your employees. Allowing your staff to participate in the realisation of planned goals will give them a sense of accomplishment and promote job satisfaction. Employees who are satisfied

in their roles are generally more productive and are also more likely to remain in their positions for a longer period.

### Never stop learning

Even the self-employed can always benefit from a little extra training. By attending seminars, short courses, or even just reading relevant books you can make a huge difference to your business. Think about the area of your business that you are the least confident in, for example, marketing or IT, and make the decision to improve your knowledge.

### Get organised

A great way to start improving your organisation is by writing to do lists. You should begin by listing long term goals, and then slowly breaking them down into smaller tasks. If you do this, tasks will seem far more manageable, and you will be able to create a realistic timeline for completion.

### Build your dream team

At the end of the day, the success of any business will be determined by its people. Of course, it is important to hire the right people at the right time. However, the thing that will ultimately allow your people to take your business to new levels of success is the ability to work together effectively.

If your staff members have good communication channels and productive working relationships with one another, it can make a significant positive impact on your business's productivity. In 2015, put a little bit of extra time and energy into promoting team collaboration in your business.



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## Managing your cashflow

### *Managing your cashflow is crucial to running a successful business.*

Running out of liquid capital is one of the most common reasons that small businesses fail. Monitoring your cashflow 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.

The point at which many business owners trip up is in failing to realise that even a thriving and profitable business can easily run out of cash. If you believe that your cashflow might become

negative, meaning that your expenses may exceed your takings over a specified period, then you should investigate opening a line of credit for your business.

You should be firm and clear with customers and clients about when payments are due. Issue invoices immediately and have a system in place that will send out a reminder if payment has not been received by the specified date.

If you are experiencing a shortage of cash, then you should be open and honest with your creditors. There is a good chance that they will be amenable to a payment plan, so long as you discuss the issue early on.



## Make sure that fringe benefits are beneficial

### *The end of the FBT year is fast approaching, and it is a good time to reflect on your FBT plans for 2015-16.*

Fringe benefits are benefits that you provide to your staff that fall outside the categories of traditional wages and salaries. Examples of common fringe benefits include cars, low interest or interest-free loans and school fees.

Fringe benefits are taxed differently to income, and business owners

should be aware of the relevant compliance issues when negotiating salary packages.

The benefits are not subject to income tax. However, the employer must pay fringe benefits tax (FBT). Typically, the employer will reduce the employee's salary by the amount equivalent to the FBT incurred.

The FBT rate is usually 47%. However, it has been temporarily raised to 49% to prevent high income

earners from circumventing the 2% budget repair levy. It will return to its normal rate on March 31 2017.

It is advisable to seek professional guidance before entering into a new salary packaging agreement with an employee. The reason for this is that the calculations surrounding FBT calculations are extremely complex, and you may end up inadvertently disadvantaging them in the process, thereby defeating the purpose of salary packaging.

## Get on top of your record keeping

### *Effective and reliable record keeping is extremely important for small businesses.*

Maintaining organised records will help you to meet your tax obligations and will be extremely helpful in the event that you get audited.

A good record keeping system can also help you to monitor and reflect on your cashflow, and can be a valuable tool when making business decisions.

Records must be kept in English or in a form that can be easily translated. While records may be kept on paper

or electronically, it is advisable to lean towards electronic systems. Electronic record keeping systems can save you a significant amount of time, and there is a far lower risk of losing track of important documents.

Small business owners are often surprised to discover that it is necessary to retain financial records for a full five years from when the tax return was lodged.

Furthermore, if you are involved in a dispute with the tax office then you may be required to retain records beyond the five year period.

Records that you must keep include:

- Income and sales records for the business. This may include cash register rolls, receipt books and records of all cash sales.
- Expense records for all purchases made by the business, including records of cash purchases.
- Records of any capital gains and/or losses
- GST records
- Bank records
- Information on employees and contractors including ABNs and TFNs.

## A guide to CGT concessions

*There are four capital gains tax (CGT) concessions that can be applied to the sale of small business assets.*

These concessions can be extremely effective in reducing your tax liability. It is in the interests of all business owners to be aware of the compliance issues surrounding these CGT concessions as it may help to form astute decisions relating to the use and disposal of business assets.

Detailed below are the four CGT concessions that are available to small business owners.

### 15 year exemption

If your business has held an asset for over 15 years and you are over the age of 55 then there will be no CGT liability on the sale of that asset. The 15 year exemption is the most generous of the CGT concessions. In certain circumstances it can allow a person to completely disregard the tax payable on a capital gain.

To be eligible for the 15 year exemption, the asset must have been held for a minimum of 15 years, and the owner must be selling due to retirement or permanent incapacitation.

### Small business active asset reduction

If the asset is considered to be active then your CGT is reduced by 50%. In order to qualify as active, an asset must be used in the day to day running of the business.

Active assets may be tangible or intangible. It must have been used in the day to day running of the business for over half the period of ownership, or over 7.5 years where the ownership exceeds 15 years. Only active assets qualify any of these four CGT concessions.

### Small business retirement exemption

Small business owners may be exempt from up to \$500 000 of capital gains over their lifetime. However, if you are under the age of 55 then the money must be directed into a superannuation account.

### Small business rollover

This allows you to defer your capital gain on an asset for up to a year. The capital gain may be deferred for two years or longer if you plan to acquire a replacement asset, or you incur expenses in the process of making improvements to an existing asset.

To qualify for the small business CGT discounts your business must be



classified as a small business entity. This means that your annual income cannot exceed \$2 million.

If the business does not qualify as an SBE, then the CGT discounts may still be applied if the owners hold less than \$6 million dollars in total assets.

The concession may also apply where the assets are owned by an entity which you control, such as a company or trust, but the rules are complex and professional advice should be sought.

## Make your workplace a productive environment

*There are a number of things that you can do to make your workplace a more productive environment.*

While it is extremely important to consider interpersonal issues that may impact



productivity, you should make sure that you don't neglect the physical work space. Here are our top tips for boosting productivity:

### Natural light

Allowing a significant amount of natural light to reach your employees may do wonders for morale and energy levels. Numerous studies have shown that a lack of natural light can cause lethargy and low mood.

For many small businesses, full-scale renovations that facilitate larger amounts of natural light are out of the question. However, by simply rearranging desks to face windows or removing thick curtains, you may be able to give your business a significant productivity boost.

### Noise control

There are many benefits to open plan offices, and for many businesses it is simply a necessity due to space constraints. However, open plan offices can lead to a lot of noise that can be distracting for some people.

Depending on the noise levels in your office, you might wish to introduce a 'quiet room', or purchase noise cancelling headphones that people can wear if they are finding the noise to be a distraction.

### Eliminate clutter

Clutter obviously impedes productivity because it makes it difficult to find important documents. Furthermore, clutter in the workplace creates an impression of disorganisation that your employees may respond to on a subconscious level.

Remember that clutter can also be digital! Make sure that your hard drives and shared folders are as organised as possible.

### Plant life

Research shows that having a couple of indoor plants inside an office can boost employee productivity by stimulating concentration and improving mood. This is a low cost way to improve the aesthetics and functionality of your workplace.



## Getting your business insurance right

### *Business insurance can be a tricky area to navigate.*

Being under-insured can spell the death of a small business, but, on the other hand, it is all too easy to end up paying insurance premiums that are too high. This can place a significant drain on your business's valuable resources.

Some common types of insurance that small business owners should consider include:

#### Workers' compensation

All businesses with employees must take out workers' compensation insurance to cover the costs of any injuries or illness incurred in the workplace.

If you do not have employees but regularly hire contractors, you should double check that they should not be classified as employees as this may land you in a serious position in the event of an injury.

#### Comprehensive car insurance

If your business owns a motor vehicle you must have third party injury

insurance, which is typically included in your vehicle registration. Depending on your financial position and the frequency with which you use your vehicle, it may also be highly advisable for your business to take out comprehensive vehicle insurance.

#### Public liability insurance

It is highly advisable for businesses to have public liability insurance, especially if they have a premises that is frequented by customers and/or clients.

Public liability insurance protects you against personal injury and property damage claims that occur on your premises due to negligence.

#### Professional indemnity insurance

For many industries, professional indemnity insurance may be a wise investment. It protects your business against negligence claims made by clients. It will cover the legal costs of defending any claims and help in paying out any damages owing.

#### Product liability insurance

Any business that provides products



directly to consumers should consider taking out product liability insurance. It will protect you against any financial damages or injuries caused by your products.

## Holding a great business event

### *There a number of reasons that you may want to host an event on behalf of your business.*

For example, you might be holding the launch for a new product, farewelling a staff member, or hosting an educational event.

Events such as these can be a great chance to network, and also to publicise your business. However, you should always

tread carefully when hosting an event, as it can be all too easy to damage your company's reputation.

Here are some tips for hosting a great event on behalf of your business:

- Make sure that you get your invitations out in plenty of time, and specify the date by which you would like people to RSVP. If you do this you will maximise the chances that people will be able to attend, and also finalise the guest list in plenty of time to confirm catering and ensure you have an appropriately sized venue.
- Put a lot of consideration into any presentations and speeches that will be made. You should think of everything that is said at such events as a direct reflection on your business. Staff members should be briefed on appropriate behaviour, and you should proofread all presentations.
- Refrain from making hard sales pitches. Making a hard sales pitch at an event that your business is hosting can come off as tacky, or even a little desperate. Instead, use the event to promote yourself in more subtle ways, for example by discussing your plans for the future.



## Important tax dates

### JANUARY 21

Due date for lodging and paying quarterly PAYG installment activity statement, quarter 2, 2014-15 for head companies of consolidated groups.

### 28

Last date for employers to make super guarantee contributions for quarter 2, 2014-2015.

### FEBRUARY 21

December 2014 monthly BAS due for small businesses who report and pay GST electronically.

January 2015 monthly activity statement – due date for lodging and paying.

### 28

Quarterly activity statement, quarter 2, 2014-15 - due date for lodging and payment.

Superannuation guarantee charge (SGC) statement due date for lodgement.