Q3 2018

BUSINESS MATTERS

Strategies for managing your business

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TAGGART & PARTNERS
Accountants & Business Advisors

Hiring for cultural fit

Many employers recognise the value of hiring for cultural fit, but they don't know how to approach the subject in their hiring process.

Choosing candidates who can work well in your current business environment and adapt to the core business principles and values that guide your team's success. Assessing cultural fit through your hiring process also helps to reduce high staff turnover as new hires tend to fit in with the business' culture with more ease.

When new hires fit in with the culture, they are also more likely to experience greater satisfaction and perform better.

Hiring for the right cultural fit often means first assessing your business' core values and mission. Understanding the characteristics of your culture helps to craft your job advertisement and attract the right types of candidates to begin with.

Getting clear on your business' vision is important in attracting people with a similar vision - those who are willing to work hard to improve your business. When it comes to interviewing potential employees, asking the right questions to gauge the cultural fit is key. Consider the following:

Personality

Prompt them to open up beyond their work history and experience - for example, asking what they find challenging about their current role or what is the best team they have worked in. This may provide clues to the environment they prefer to work in and what motivates them to work.

Preferred management style

Ask a potential candidate about their preferred management style. Their response is useful in discovering how they like to structure their work, and receive instructions and overall guidance. It can also encourage them to describe their ideal workplace and see if it aligns with your business.

Values

If you are looking to hire someone who will happily work towards the goals of your business, you must ensure your potential candidate's values are consistent with your business. These candidates will seek to grow with your business and promote it as a great place to work.

Why they want to work for you

Hiring people who are passionate and ambitious is critical. Asking a candidate why they want to work for you helps to give you a real insight into whether their skills, interests and career goals will serve your business.

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Rebranding: A guide for your small business

Rebranding your small business can be a tricky matter. When done well, it has the potential to help your business stand out from the competition bubble and expand your target market.

On the other hand, a failed rebrand can damage the reputation of your business, or even risk losing loyal customers who dislike your new look. Which is why rebranding is a move that should never be taken lightly and must always be strategically planned.

Consider these ideas before embarking on your rebranding journey.

Understand your strategy

Rebranding is a serious investment which will require both your time and money. Therefore, a rebrand must always be necessary to either solving the problem at hand or growing your business. If it isn't - then it may be helpful to consider easier and less costly actions, you can take. You must have legitimate customer-focused strategies behind why this move is required. Otherwise, rebranding will likely harm your business more than help it.

Holistic approach

Merely tweaking the name and logo of your business and hoping for the best will not cut it. Taking a holistic marketing approach will allow you to focus on the development, design and implementation of the rebranding strategy through your business as a whole. You must look at how this one change will affect your overall business. Reviewing every aspect that will be affected will also help you assess whether the results will be worth the effort and cost involved.

Evolve with your target market

For a small business to remain successful on a long-term basis, it must remain relevant to its target market. A rebranding will largely depend upon the target market your business is pursuing - in particular, adapting to their ever-evolving wants and needs concerning the product or service you have on offer.

Hire an expert

Knowing where to start when rebranding your business can be a challenge, especially if you are planning a complete image overhaul. That is when hiring an expert to draw up a detailed plan for an innovative new look for your business can come in handy. Using their unbiased opinion can be invaluable in forming a rebranding strategy in circumstances where your business may be too close to your existing brand to remain objective.

Should I enter a partnership?

Whether you are in the business game already or setting your sights on a new business venture, starting a partnership may be a high-yielding decision.

A partnership business structure is an incorporated business with 2-20 owners. The individual owners work together to achieve the goals of the business; sharing responsibility and profits.

Partnership laws vary depending on your state or territory. There are two types of partnerships - general and limited.

A general partnership is where all partners are equally responsible for the day-to-day management of the business.

Whereas, a limited partnership has at least one general partner who is responsible for controlling the day-to-day operations and is liable for the debts and obligations of the business. The passive partners in this type of partnership are called limited partners. Limited partners generally contribute a defined amount of capital, and their liability is limited to the amount of capital that is contributed.

Consider the following advantages and disadvantages before starting or joining a partnership:

Advantages

A partnership structure is easy and inexpensive to set up. Unlike operating as a sole trader, there is increased opportunity for income splitting, more capital available and higher borrowing capacity.

Working as a team can also provide more perspective than working as an individual. High performing employees can also be made partners.

From a tax perspective, partnerships do not need to pay tax on their income. Each partner pays tax on the share of the net partnership income they receive. Superannuation is a responsibility of the individual partner, as partners are not considered employees. Additionally, there is limited external regulation and reporting requirements.

Removing partners is generally straightforward. The only condition is that at least two partners are left in the business. If a partner wishes to resign from the partnership, it is relatively simple to dissolve the partnership and recover their share.

Disadvantages

This type of business structure carries unlimited liability, meaning the business owners are liable for the debts of the business and are subject to reasonably cover what is owed or risk seizure of their personal assets.

Each partner is responsible for the debts and liabilities of the business (with the extent depending on the type of partnership) including the actions of other partners. This can cause disputes and friction among partners, resulting in unfavourable circumstances. For example, one partner may have a differing vision or a different opinion on administrative control or profit sharing for the business compared with the other partners.

Although the process of adding and removing partners is simple, partners will most likely need to value partnership assets which can be expensive.

Creating an agile workplace

In today's society, technological change is the norm - new opportunities are continually arising that change the way a business operates or improves products and processes. Businesses that are complacent can risk failing.

Creating a workplace which emphasises the need to meet changing demands is important. That is where agility fits in. An agile workplace is one that adapts quickly to the changing needs of the market, its customers, employees and other key stakeholders.

Agile workplaces respond faster to these trends and disruptions, are more efficient and encourage innovation.

Consider the following ways to promote a culture of agility in your workplace:

Staff training and development

Building up your team to deal with disruptions and contingencies is key. Cross-training and reskilling your staff is one way to meet the ever-changing demands of your business. This provides flexibility as roles can be rotated and a variety of tasks can be delegated. Having multidisciplinary teams also helps to create a smooth transition when a staff member leaves and another employee starts, meaning the team won't suffer too much from the departure of one staff member.

Use data to make decisions

Agile businesses determine the strategic direction of the business by evidence obtained from multiple sources of data and insights. By using data rather than relying on knowledge alone, businesses can gain a competitive advantage and respond to predicted forecasts and opportunities in a more timely manner. Data can also be utilised to reduce inefficiencies and manage risk more effectively.

Leverage technology

Technology is the ally of agility. To successfully thrive, technology must be at the forefront. Traditional business models are continually changing with technology providing new ways of doing business. Adopting new technologies and encouraging adaptation among staff can help to remain competitive and agile.

Dealing with conflicts of interest

Although conflicts of interest are not uncommon in the workplace, they can be harmful to a business if they are not appropriately managed.

A conflict of interest exists when an employee's private interests interfere with their performance of their duties. For example, it may give them a personal advantage. It is important to note a conflict of interest can be an actual, perceived or potential conflict of interest.

Some examples of conflict of interest in the workplace include:

- an employee recommending a friend for an advertised position
- an employee starting up their own business on the side with similar products or services
- a supervisor dating a staff member
- a manager not disclosing that a candidate applying for a position is a relative or close friend
- an employee accepting a gift from a supplier in exchange for business over other suppliers
- an employee failing to disclose a second job which conflicts with the business

Creating a code of conduct is one of the best ways to address conflicts of interest. A code of conduct provides guidelines explaining your business' culture, mission and expectations for professional behaviour. You can include what is classified as a conflict of interest including examples and how they will be managed, i.e., disclosing a conflict of interest to a manager.

ATO eases stance on income tax penalties

The Australian Tax Office (ATO) has changed the way penalty relief is applied to certain taxpayers as of 1 July 2018.

The Tax Office will no longer apply a penalty to tax returns and activity statements where eligible individuals and entities have made an inadvertent error by failing to take reasonable care or have not taken a reasonably arguable position.

If the ATO finds an inadvertent error, they will contact us to let you know how to get it right for next time.

Eligible individuals and entities with a turnover of less than $10 million, including small businesses, self-managed superannuation funds, strata title bodies, not-for-profits and co-operatives can access penalty relief.

The ATO will automatically apply penalty relief for those who are eligible and are under audit. It will also apply to periods under audit prior to 1 July 2018.

However, there is a reset period. Penalty relief will only be available once every three years at most. It is also not available if you have been penalised for reckless or intentional disregard of the law, evaded tax or committed fraud, or have been involved in any other tax avoidance schemes, i.e., phoenix activity.

Avoiding misleading or false claims

When it comes to your advertising, don't let your small business get caught out making false or misleading claims.

The Australian Competition and Consumer Commission (ACCC) has recently issued penalties to businesses unable to substantiate their claims about their products or services.

The ACCC generally defines a claim to be false or misleading when the statement is inaccurate or likely to create a false impression, regardless of whether the business intended to deceive consumers or not. For example, a business that claims certain health benefits their product or service offers but has no substantial evidence to back up this statement.

Four areas where small businesses may find their claims to be misleading or false include:

Environment 'green' claims

Businesses displaying statements about their products in relation to the environment, i.e., not tested on animals, environmentally sustainable, environmentally safe or fully recycled, need to be able to appropriately substantiate these claims. For example, some claims can be considered vague if a business describes their products as 'natural', 'biodegradable' or 'pure and plant-based'.

Comparative advertising

Tread carefully when using comparative advertising to promote your product or service. A business that releases statements comparing their product or service to a competitor's, i.e., in relation to price, volume, range or quality, must ensure they have made a fair and valid comparison of the products. Comparative advertising can be tricky, for instance, should you decide to compare on price, the competitor only has to go ahead and alter the cost of their product and your advertisement may then be considered misleading or incorrect.

Fine print and qualifications

Businesses need to ensure that the overall message of the advertisement does not refute any information included in the fine print attached to their product or service. If the product is advertised as organic but includes synthetic chemical preservatives in the ingredients list, then this is generally considered false or misleading advertisement.

Bait advertising

Bait advertising occurs when a business might advertise a sale on a product but not have enough stock available for customers to buy during the sale period, influencing them to purchase a more expensive item.

New financial year changes

With the lead up to June 30, many business owners are busy tying up their tax affairs. During this time it can be easy to lose sight of other business issues, especially legislative and compliance changes that have taken place at the start of the new financial year.

Considering the following changes that have taken effect from 1 July 2018:

Minimum wage increases

A new minimum wage is now in effect starting from the first pay period on or after 1 July 2018. The new hourly minimum wage is $18.93 per hour, up from $18.29 - a 3.5 per cent increase. The base rates of pay in modern awards will also increase. Employers must ensure that they check the new wage rates that apply to their business and take action immediately.

High income threshold

The high income threshold in unfair dismissal cases will increase to $145,400 per annum. The previous threshold was $142,000 per annum for dismissals that took place on or after 30 June 2017. The compensation limit will be $72,700 for dismissals occurring on or after 1 July 2018.

Changes to penalty rates for some awards

From 1 July 2018, Sunday penalty rates for workers in the Fast Food, Hospitality, Pharmacy and Retail awards changed, following a Fair Work Commission decision made last year. The rate cuts are between 10 to 15 per cent, depending on the award.

Tax

Online retailers are now required to register for GST on sales of low-value imports of physical goods imported by consumers. Businesses that meet the $75,000 registration threshold will need to take action now to review their business systems to ensure that they comply. They will need to:

- register for GST
- charge GST on sales of low value imported goods (unless they are GST-free)
- lodge returns to the ATO.

These businesses may be merchants who sell goods, electronic distribution platform operators or re-deliverers.

Also, the 32.5 per cent income tax rate increased to $90,000 from $87,000 as of 1 July 2018.

Important tax dates

21 JULY

Lodge and pay June 2018 monthly business activity statement.

28 JULY

Pay Q4, 2017-18 instalment notice (form R, S or T).

28 JULY

Make SG contributions for Q4, 2017-18 to funds by this date.

31 JULY

Lodge TFN report for closely held trusts if any beneficiary quoted their TFN to a trustee in Q4, 2017-18.