Q4 2014

DJ SPIN

Strategies for managing your business

INSIDE:

- Dealing with annual cashflow fluctuations
- Make your business environmentally-friendly
- Loss carry-back offset repealed
- Getting your super payments right
- And more

DJ SMITH GROUP

CHARTERED ACCOUNTANTS

A guide to GST registration

GST sounds like a simple enough concept: businesses are required to pay 10% tax on most of the good and services they sell in Australia and include this amount in the sale price, thus passing the tax onto the consumer.

However, in reality GST is an incredibly complex series of compliance requirements, especially for small business owners. One of the more confusing parts of GST compliance is knowing whether or not your business should be registered for GST. We have compiled this guide to help small businesses understand whether or not they should be registered for GST.

Who is required to register for GST?

Some businesses have to be registered for GST. If your GST turnover is over $75 000, or you provide taxi travel in exchange for payment, then you must be registered for GST.

GST turnover is calculated by deducting GST from your gross business income for the twelve month period leading up to the current month, or the same calculation applied to your projected earnings for the next twelve month period starting in the current month. If your turnover is edging towards this threshold, you should be checking each month because once you have exceeded it you must register within 21 days.

Voluntarily registering for GST

Some business register for GST voluntarily. One reason for this may be that they are anticipating reaching the $75 000 threshold. Another reason is that if you are registered for GST you can claim GST credits on purchases that you have made for your business.

Therefore, if your business primarily sells to other businesses who are registered for GST, then the additional cost in your sale prices will not actually have a significant impact on total sales, and you will be able to claim credits on GST you would have had to pay regardless.

Cancelling your GST registration

If your GST turnover drops below $75 000, it may seem like a good idea to cancel your GST registration to save on paperwork.

However, this can mean that you actually end up owing the ATO retrospective GST on high-value assets that you have purchased in the ten-year period prior to cancelling the registration.

If you are cancelling your GST registration due to a drop in revenue then you will need to include a portion of the GST you claimed on these assets and repay it to the ATO in your final BAS.

Calculating these amounts is very complicated, and there are different amounts of GST payable on different assets, dependent on the value of the asset and how long it was held. It is advisable to seek professional advice if you are considering cancelling your GST registration.

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Dealing with annual cashflow fluctuations

During the holiday break, business owners should take some time to reflect on the past year, to try to understand what has worked and identify areas that need improvement.

With this in mind solid sales plans can be made for the next 12 months.

The aim is to manage seasonal fluctuations, and maintain positive cash flows throughout the year. Once businesses have clearly identified their yearly peaks and lows they can create a seasonal management plan with the following considerations:

Managing seasonal demand

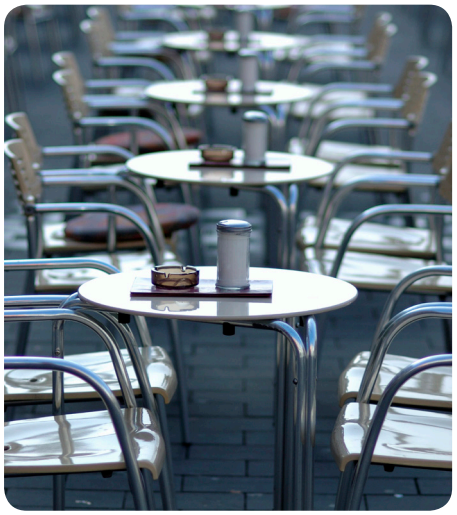
For businesses that have a peak period, managing inventory becomes a demanding and time-consuming task. Without careful planning, inventory can get out of line, resulting in heavy markdowns due to overstocks and serious cash flow problems.

Hours and staffing levels

Determine the need for seasonal staff. Work with staff to stagger schedules so that the business is fully operational during peak periods. This may involve more night work.

Review last year's records

Make allowances and adjustments for unusual events, such as weather and one off promotions. Based on current market share, make profit estimations taking into account the busiest and slowest periods.



Make your business environmentally-friendly

Making your business practices more environmentally-friendly can cut costs and give you a marketing boost. Here are a couple of tips to help the planet and your bottom line:

Reduce waste and pollution:

Waste includes something you bought, couldn't or didn't sell, and are now disposing of. You've been paying for resources you didn't fully utilise, and whether it's manufacturing material, excess packaging or just a lot of trash. Reducing your waste is the simplest and most cost-efficient way to reduce your ecological footprint. In most cases, it will actually save you money!

Cut energy use:

If you can produce your products or services or run your operation with less energy consumption, then you've not only saved money, you're also helping the environment. Solar energy for your business is a large upfront investment, but it can pay itself off in just a few years.

Recycle:

That is not just limited to manufacturing plants or operations. Every office discards rubbish bins full of recyclable paper, aluminium (soft drink cans) and plastic (water bottles). Work with your maintenance or cleaning service to ensure there are marked recycling bins throughout your office.

Loss carry-back tax offset repealed

As part of the package that repeals the mining tax, businesses will no longer be able to claim the loss carry-back tax offset.

The loss carry-back tax offset allowed businesses to 'carry-back' losses of up to $1 million to an immediately previous financial year.

This essentially meant that they were able to claim back tax paid on a previous year's profits in order to offset losses in the following year. The loss carry-back tax offset was not available to sole traders, partnerships or trusts.

The repeal of the loss carry-back tax offset took effect on 30 September 2014. The repeal applies to the financial year prior to the date that it takes effect.

For most taxpayers this means that the repeal applies to the 2013/14 financial year, as 30 September 2014 falls in the 2014/15 financial year. Therefore, the loss carry-back tax offset remains in place for the 2012/13 financial year.

However, for some businesses with late substituted accounting periods, the repeal may also extend to the 2012/13 financial year. The ATO has indicated that it will contact businesses in this category to discuss their circumstances.

If you have already completed your tax return for the 2013/14 financial year and claimed the loss carry-back offset then the ATO will reasses your claim. You will be sent an amended notice of assessment and this will include any amount that needs to be repaid. If the amount is paid in full by the indicated due date then it will not be subject to interest and or attract any penalties.

Businesses that have not yet completed their tax return for the 2013/14 financial year cannot claim the loss carry-back tax offset.

Getting your super payments right

As an employer, you are required to make ongoing superannuation guarantee (SG) contributions on behalf of your employees.

These SG contributions are calculated at 9.5% of the employee's real time earnings and must be paid quarterly into that employee's nominated super fund.

There are several ways in which employers can become non-compliant in their superannuation obligations. If SG contributions are insufficient, not paid at all, paid late or paid into the wrong fund an employer may face penalties.

Some employers also avoid their superannuation responsibilities by paying employees in cash or incorrectly treating them as contractors.

Not meeting your superannuation responsibilities can be a costly mistake for employers. Ordinarily, SG contributions can be deducted from the business's taxable income. However, if you pay your SG contributions late you will most likely lose this opportunity. Instead, you will have to pay a super guarantee charge (SGC) to the ATO. The SGC is non-tax deductible, attracts interest of 10% a year and includes a $20 administration fee for each employee affected.

Unpaid superannuation used to be the responsibility of the ATO. However, this has now been passed onto the Fair Work Ombudsman. In most cases, the Fair Work inspectors will try to work with employers to correct mistakes. However, in cases where it is considered that there has been a deliberate disregard of regulations there can also be fines issued.

Individual employers can be fined up to $6600 and corporations up to $33 000. It is also worth noting that company directors are responsible for ensuring that the company pays the SG charge by the due date, and can become personally liable for the full amount if they fail to do so.

Additionally, if an employer makes a false or misleading statement on a superannuation guarantee charge statement they can be charged a painful 75% interest on the SGC amount.

Some employers may also become unintentionally non-compliant in paying their employees' SG contributions by miscalculating their income. If your business has complex or constantly changing

remuneration packages, you should take extra care to ensure that your SG contributions are correct.

If you have fallen behind on your superannuation payments then you will need to lodge a Superannuation guarantee charge statement with the ATO. In some cases, if you have made a late payment to the superannuation fund you will be able to use this to offset some of the superannuation guarantee charge.

A memorable tagline will take you a long way

We often don't even think about them consciously, but taglines are an important part of a company's identity.

A good tagline should simultaneously tell customers what the essence of your company is, evoke strong sense of emotion and be completely consistent with your company identity.

A great tagline is also an incredibly cost-effective way for your business to overhaul its branding, paving the way for you to start a new series of marketing initiatives. If you don't already have a tagline, or are not satisfied with your current one, it is worth taking the time to come up with one.

If you can afford it, you may consider hiring a marketing or copywriting specialist for the job. However, if your budget doesn't stretch that far, take a shot at it yourself and ask employees, friends and family members for their input and feedback. Here are our top five tips for writing a winning tagline:

1. Memorable

Your tagline has to be both easy to remember and instantly identifiable with your company. There are a number of ways you can make a tagline memorable - the real challenge is in making sure that customers remember your company when they recall it. You also need to keep it short because the longer it is the harder it will be to remember.

2. Personality

You want your tagline to convey the 'personality' of your company. Think about whether customers consider you to be a funny, quirky, sympathetic, conservative or innovative brand and try to write a corresponding tagline.

3. Informative

Your tagline needs to tell people something about your company, and if possible boil it down to its most basic elements by mentioning either your industry or key products. If you are in a niche market this is usually a good place to start. For example, 'Flowers with a twist', or 'Biggest burgers in town'.

Keeping up with business strategies

In order to survive and thrive, entrepreneurs and small business owners need to keep up-to-date with current business trends.

You should always be aiming to learn new techniques to improve your business. Here are some lessons that can help small businesses stay relevant and survive:

Helping customers find you online

One of the most common ways that people now find businesses is using mobile phone or tablet applications. You should make sure that your business information is as up-to-date as possible in these apps, and on any websites that help people find businesses in a specific area. Use these sites as a platform from which to promote services, products, business hours, contact information and special offers.

Cloud computing

Cloud computing may represent a way to overcome any business functions that are inefficient and costly. This internet service is considered a cost effective and productive tool for small businesses. Cloud computing can be used to manage e-newsletters, payrolls and in-house email.

Business plan presentation techniques

If you are looking to find investors and make money, it is essential to consider how to present a business plan effectively. Investors are now likely to want to see a short electronic slide presentation before a written business plan.

Carefully consider the information included in these slides and if necessary learn new digital media skills in order to achieve the desired impact. Putting a little effort into improving your public speaking techniques is also advisable.

Social responsibility

Business owners and entrepreneurs may have goals beyond making money. The 'triple bottom line' refers to striving for a positive outcome for the planet, people and profits. It is important for business, whether large or small, to consider their social responsibilities and how their business practices impact the environment. Many businesses are now seeking ways to be more sustainable and to contribute to the community.

Identifying customer needs

If you understand the nature of your customers' needs, you will be able to market your products and/or services far more effectively.

Different types of customer needs require different marketing and advertising strategies. These are the three most basic types of customer needs and how best to target them:

1. Immediate needs

These are short-term needs that customers must respond to immediately, for example, lunchtime hunger or a plumbing problem.

To target customers with immediate needs you should constantly advertise and emphasise fast service, convenience and price.

2. Actual long-term needs

These are real needs and wants that are not necessarily immediate, for example, a car service.

To target customers with actual long-term needs you should regularly be advertising, as a deliberating customer will likely turn to familiar or recognisable outlets.

Make an effort to keep in touch with previous satisfied customers; this can ensure greater word-of-mouth recommendations.

3. Perceived needs

These are needs that a person believes they have, but in reality, are not a necessity. These tend to be luxury goods such as clothes or restaurants.

You should aim to emphasise the superior quality of your product or service because the customer will be likely to undertake comparisons.

Important tax dates

NOVEMBER 21

October 2014 monthly activity statement – due date for lodging and paying.

25

Quarterly activity statement, quarter 1, 2014–15 – due date for lodging and paying for taxpayers using electronic, agent or SBR to lodge.

DECEMBER 1

Income tax for companies and super funds when lodgment of the tax return was due 31 October 2014 – due date for payment.

Income tax for large/medium taxpayers in the latest year lodged – due date for payment with a lodgment of return due 15 January 2015.

21

November 2013 monthly activity statement – due date for lodging and paying.

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