

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

Develop an ethics policy

Most companies, especially large corporations, have developed clear ethical guidelines and policies. Because employees continually face many situations that have ethical implications, it is extremely useful to have a set of clear and consistent policies.

Some of these issues include protecting customer confidentiality or receiving gifts, gratuities or special favours. A clear policy can ensure that ethical issues are firmly, fairly and consistently applied throughout the company.

In virtually all situations, it is illegal to discriminate against employees because of religion, sex or ethnicity. Businesses may not discriminate in hiring, promotion, pay or treatment. It is also the responsibility of the employer to create an environment that is not hostile to any individual or group based on these factors. It may also be necessary to take reasonable steps to accommodate the employees' religious observance needs.

New technological developments present a range of other ethical challenges. It is now much easier to accumulate, buy and share customer information.

Technology also makes it simple, cheap and even inviting to duplicate copyrighted works, including software, music, data or written work – presenting a new form of risk for

businesses. Ensure that all team members are clear about intellectual property issues. In some cases it may even be worthwhile seeking legal advice to eliminate any element of doubt.

When developing an ethics policy, there are a number of issues to consider, particularly now in light of global and technological changes. Some of these include:

Legal dealings. How does a business ensure that it obeys the laws not only of its home country, but also of other countries in which business is conducted?

Employees. How do businesses ensure that managers treat employees fairly, honestly and with respect? What processes exist to guarantee that subcontractors act ethically? What guidelines will be established for the personal use of company property, such as company cars, phones and email?

Customers. What steps will be taken to deal honestly with customers? How do you ensure truth in advertising and on websites? How should employees deal with gifts and other benefits from customers or suppliers?

Community. How does a company measure the impact of its actions on the community?

Environment. How will the company take into account the impact of its actions on the environment, including its choice of suppliers, manufacturers, distributors and waste disposal?

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Time for some contingency planning

In light of recent global events, businesses may need to prepare for emergency or crisis. Businesses should determine what kind of crisis they are likely to face and what would be critical if those events occurred.

Start by listing the types of emergencies that could reasonably affect your business, paying attention to the potential effect.

Risks to consider include:

- Fire/flood/storm
- Identity theft
- Theft/embezzlement
- Absence of key staff

- Loss of electricity
- Computer failure and data loss
- Other equipment failure
- Loss of major supplier or customer

For a two-week period, begin monitoring how business is conducted on a day to day basis, to better understand what the business absolutely depends on to stay in business. Consider the equipment that you rely on, the computer files you absolutely must have and what would happen if you didn't have access to your equipment, certain employees or your facilities. If your business depends on the telephone, consider how would you get your messages and respond to them?

What about online access? Are staff aware of how to redirect or pick up email if an emergency knocks out your computers? Remember, a disaster elsewhere may also be a crisis for you, especially if your business depends on distant suppliers. Develop a list of alternatives in case your regular channels become unavailable.

After you have considered the vital systems, people and access you need during that two-week period, make your contingency plan. For each of the following issues, document who or what you depend on for it and your plans for backup alternatives:

- Access to your premises
- Access to customer details
- Access to other important information
- Processing orders
- Handling phone calls
- Producing your product or service
- Shipping/receiving
- Access to electricity
- Access to phones
- Access to the internet
- Other important issues for your business

Finally, do not forget to organise insurance or review insurance policies. As damaging as a disaster can be, it can be a lot less devastating if insurance covers the financial losses and helps get the business going again. Start with the basics: fire, theft, liability and possible natural disaster insurance. Finally, think about getting other kinds of business insurance just in case the worst should ever happen.

Protect your intellectual property

Today it has become essential for businesses to take steps to protect assets. An often overlooked area relates to intellectual property and, in particular, trademarks.

Trademarks protect the rights of owners of a company, keeping others from using their names on similar or competing products or services. A trademark protects 'intellectual property' - valuable company assets that are not tangible, but are the result of invention and creativity.

Trademarks include names, logos and other identifiers of products or services.

One of the benefits for small business is that trademarks are relatively easy to register and not too costly to obtain.

On the other hand, the cost of not having a trademark properly protected can be very damaging for a small business. One of the big risks is that a small business who has not got a trademark may be forced into expensive legal action in order to enforce intellectual property rights.

The cost of adequately protecting business assets through a trademark is insignificant by comparison.

Green light for investment allowance

The bill implementing the new temporary investment allowance has received Royal Assent and is now law. Businesses can now act with certainty when claiming the allowance.

In the May 2009 budget, the Government announced that it planned to increase the rate of the one-off bonus tax deduction available to small businesses under the small business and general business tax break to 50% where a small business acquires an eligible asset between 13 December 2008 and 31 December 2009. Eligible assets must be installed and ready for use no later than 31 December 2010.

In order to be eligible for the lower threshold, that is \$1,000 for eligible assets (rather than \$10,000), a taxpayer needs to be a small business entity for the income year in which they first claim the capital allowance.



Taxpayers that are eligible for the lower threshold for an income year are able to claim 50% of the new investment amounts that income year. This is in addition to normal capital allowances.

Taxpayers should consider that the allowance is a tax deduction and reduces taxable income. In addition, if an eligible asset is financed, the asset as well as the cost of the finance may also be tax deductible.

Whilst the allowance is generally well received by businesses, care should be taken to understand to what level a business qualifies and whether assets acquired satisfy the requirements of the law.

If you plan to purchase assets before the end of the year and are unsure about your eligibility or your intended purchases for the investment allowance, please speak to one of our team.

Division 7A updates

The Government has indicated that it proposes to tighten the rules in relation to the taxation of benefits provided to shareholders or associates of a private company.

The division 7A deemed dividend rules will be expanded to include deemed payments by way of a licence or right to use real property and chattels, such as cars, boats and real estate. The move serves to reduce the potential for private companies to allow their shareholders or associates to use such company assets for free, or at less than their arm's length value without paying tax.

The measure is intended to provide greater equity in treatment between the shareholders of private companies on the one hand, and employees on the other, where the same use of the asset by an employee would attract FBT.

The Government has also signalled that several other technical amendments will be implemented to strengthen division 7A. A key item focuses on ensuring that corporate limited partnerships cannot be used to circumvent its operation.

These new measures will become effective from the 2009-10 income year.



ATO losses in the spotlight

The ATO has indicated that they will be paying greater attention to businesses that have claimed losses in the 2008-09 year.

Reviews and audits of micro, small to medium and large businesses, with carried forward tax losses by the tax office have revealed some common problems that can easily be avoided.

Two of the most common mistakes that are made by taxpayers are:

- not retaining sufficient documentation to substantiate the tax losses, and
- claiming tax losses which were originally calculated incorrectly and then carrying forward losses that they are not entitled to.

The ATO has recommended that taxpayers keep detailed records to support their tax losses.

It may be advisable that taxpayers with losses carried forward confirm their losses and make adjustments to any losses carried forward where necessary.

Turning business failure into success

In business, the stress is always on success. Seminars promote 'Small Business Success' and magazines run stories on 'How to Run a Successful Business'.

Failure is the 'F word' of business - it is taboo to mention it. After all, failure is what happens to other people, right? But what happens when we ourselves fail? We either try to quickly forget the experience or we wallow in self-doubt and recrimination.

Anyone in business is, sooner or later, going to have failures. But sometimes these 'failures' may turn out to be fortunate if they guide business owners to re-examine goals, decisions and methods. In this case, steps can be taken to direct the business into a different or improved path.

Many successful people will say that some of the most important and beneficial events in their lives were things they viewed as 'failures' at the time. But they used these failures to learn new attitudes and skills, to move on to new opportunities and to get perspectives on their lives.

Of course, some failures can have a major economic impact on your life, such as bankruptcies or divorces. But even these

significant and very painful events can, over time, be seen as a chance to start on a new direction.

Here is how some of the most successful entrepreneurs deal with failure:

Redefine it. Some companies treat failures as learning experiences. Silicon Valley in the United States is considered a leading technological centre. One reason this area breeds innovation is that when someone has started a company that later fails, they are not considered a failure - rather, experienced entrepreneurs.

Analyse it. Most people view running a business like a game. They are either focused on winning or losing, rather than what is being learned from the experience. Many venture capitalists will only invest in entrepreneurs that have had at least one failed company. Why? They want reassurance that the people they support have learned from success and failure before any investment is made. After each and every set-back, big or small, take a clear, cold look at what happened.

Depersonalise it. With any failure it is easy to become self-absorbed and embark on a path of self blame. Donald Trump, one of the most successful property owners in the world, has been close to bankruptcy



and back on top several times. While it is important to analyse mistakes, nothing will be learnt from self-pity. It is also not a productive or positive way to spend energy or time.

Change it. Once the reason for failure has been determined use it as a basis for modifying behaviour. Ensure that mistakes made are a constant reminder of what has been learned. Be patient and forgiving because change takes time.

Review your PAYG instalment rate - ATO

The slowing of the global economy has resulted in a downward trend in business earnings. As a result of this pattern, the Australia Taxation Office is encouraging businesses to review their tax position to ensure that pay as you go (PAYG) instalments reflect their current financial position.

How to vary the rate

Businesses and investors that are currently using the instalment rate method to determine PAYG instalments may find themselves paying more than their expected tax liability for the current tax year. If this is the case, taxpayers are able to vary their PAYG instalment rate, ensuring that the correct amount of tax is paid.

The option to vary the PAYG instalment rate is available to businesses or investment taxpayers that have had a significant change in their business and investment income and, accordingly, their tax liability. For instance, taxpayers that anticipate much higher tax deductions for a similar level of business and investment income may be able to make a change to their current instalment rate. Overpaid instalments from previous quarters are applied to meet the current PAYG instalment.

A word of warning – taxpayers may be liable to pay an incorrect variation general interest charge where it is found that the varied instalment rate is less than 85% of what ought to have been used. The Tax Office, however, does take into account variations that were considered reasonable at the time it was made.

At a time when cashflow is becoming increasingly important for businesses, varying the instalment rate may provide some welcome relief.

A Great Read

Twitter Means Business:
How microblogging can help or hurt your company.

Author: Julio Ojeda-Zapata

Millions of internet users have fallen in love with the Twitter 'microblogging' service, which lets them swap brief text 'tweets'. Now companies are embracing the service to engage customers, promote products and monitor what is being said about their brands.

Given the passion and high profiles of 'Twitterverse' denizens, the service has evolved into a vital early-warning system for businesses seeking to stave off criticism and as a way to build better relationships with customers. That is why companies need to know Twitter. Embracing it can help a business thrive. Ignoring the service could well hurt it.

For companies unfamiliar with Twitter, this book serves as a field guide. They will get a Twitterverse tour and learn about the dozens of firms - big and small - that have harnessed Twitter as a powerful, flexible business tool. The bottom line is, Twitter means business.

The book provides many examples of corporate use. Many use Twitter as a customer-support tool, a public-relations tool and a product-development tool. Customers tweet about what they like and don't like about the company's online services and desktop software. A 'Twitter lesson' follows each case study.

If you have little experience with Twitter, then this book will help you understand the impact that social media is having on business.

Business and personal planning need not be left until the end of the tax year - talk to us now about tax and financial strategies for you and your business.

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.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.ipaustralia.gov.au

IP Australia is the Australian Government agency responsible for administering patents, trade marks, designs and plant breeder's rights.

www.getsafeonline.org

A useful site on internet safety for you and your business.

www.ethics.org.au

This site is run by the St James Ethics Centre and provides a non-judgemental forum for the promotion and exploration of ethics in daily life and in business.

REMINDERS FOR YOUR DIARY

JUNE

21 May 2009 monthly activity statements: Final date for lodgment & payment.

JULY

14 Payers must issue pay as you go (PAYG) withholding payment summaries to payees.

21 June 2009 monthly activity statements: Final date for lodgment & payment.

21 Activity statements Quarter 4 (April - June 2009): Final date for lodgment & payment of consolidated instalment activity statements or activity statements containing a monthly GST obligation.

28 Activity statements Quarter 4 (April - June 2009): Final date for lodgment and payment.

28 PAYG instalments Quarter 4 (April - June 2009) instalment notices – forms R & T: Final date for payment and, if varying the instalment amount, lodgment.

28 GST instalments Quarter 4 (April - June 2009) instalment notices – forms S & T: Final date for payment and, if varying the instalment amount, lodgment.

28 Superannuation guarantee contributions for Quarter 4 (1 April - 30 June) are to be made to the fund by this date.

AUGUST

11 Quarter 4 (April - June 2009) activity statements: Final date for electronic lodgment & payment.

14 PAYG withholding: Final date for lodgment of the PAYG withholding payment summary annual report.

21 July 2009 monthly activity statements: Final date for lodgment & payment.

21 Final date for eligible monthly GST reporters to elect to report GST annually.

28 Superannuation guarantee charge statement - quarterly (NAT 9599) (if required contributions were not made by the due date) for quarter 4 (1 April - 30 June) to be lodged and paid to the Tax Office. The SGC is not tax deductible.