

December 2015

Plan Your Success in 2016

Can you believe we are nearly at the end of another year? For some, 2015 was a tough year and it's a good time to take a step back and look at what's working in the business and what needs working on. One thing we all understand is, if you keep doing things the same way, at best you'll get the same results. This time of year can be pressurised and frantic but if you want to take your business to the next level you need to make some time to do a review.

Below are our top tips for a prosperous New Year:

1. Plot and Plan

To prosper you need to have a plan that includes reading future trends in the market. You can then formulate strategies to minimise the bumps in the road and capitalise on emerging opportunities. Unfortunately most business owners fail to plan, sometimes because they don't know where to start. We recommend you think about where the business is NOW, where you want the business to be in the FUTURE, and develop an action plan to identify the steps of how you're going to get there.

2. Know Your Numbers

Knowledge is power and while a lot of entrepreneurs prefer the product development aspect of the business, you can't afford to ignore the numbers. In business, without a financial road map or budget, all roads lead to nowhere. A budget lets you forecast your future position and you can measure and monitor actual performance against your projections. It keeps things 'real' and makes you accountable. It forces you to think about your business, your financial assumptions and then gives you a reality check when you compare actual figures against your expectations. If you need a copy of our free cash flow budget template, contact us today.

Here are some key financial questions that you need to know the answers to:

- Do you know your seasonal revenue lumps and bumps? When do sales peak, when do expenses peak? What strategies do you use to balance out the troughs?
- What is your cash flow (or available cash) right now? Are you going to need an injection of funds to get you through the quieter months ahead? There's no point running to the bank for finance at the eleventh hour. They are typically slow to respond and an impatient business owner is a sure sign of a business under stress.
- What are your working capital requirements? This is particularly important during a growth stage of your business and you can't grow your business if you don't know how much money you're going to need to fund that growth.



The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.

Is it Time to Turn Your Business into a Company?

Many business owners commence operation as sole traders because it's the easiest and cheapest way to get your business started. However, as your business grows, you take on several employees and you win bigger contracts, it might be time to review your business structure and possibly turn your business into a company.

This is a significant decision and certainly something you would need to discuss with us because incorporating your business attracts more regulations and higher costs. Of course, a company is not the only option and a structure like a trust or partnership may be more appropriate for your business circumstances.



Here are a few potential benefits of turning your business into a company:

- **Debt Protection**

One of the most obvious benefits of incorporation is the protection of your personal assets. As a sole trader or a partnership your personal belongings and private assets are on the line if you were to get into financial difficulty. By contrast, with a limited liability company that gets into debt and cannot pay, that debt remains the responsibility of the company. There are several exceptions to this rule including Australian Taxation Office debts but a lot of people incorporate for asset protection reasons. Of course this does not mean company directors can wreak havoc and rack up debts all over town because as a company director you can still be held accountable for breaches of the law.

In fact, the Australian Securities and Investments Commission says directors are required to be honest and careful in their dealings at all times and must make sure their company can pay their debts on time and keep proper financial records. Note that unless your company has its own assets or a strong track record, you as a director might have to guarantee its debts anyway which means you'll still be personally liable.

- **Tax**

Many people are attracted to the flat 28.5% company tax rate (from 1st July 2015) and assume they'll be better off. However, there is no tax free threshold for companies, so your business would have to be profitable enough to take advantage of the lower rate. Remember, the highest rate in 2015/16 for an individual is 45% (plus 2% Medicare Levy). This is an area we can advise you on and the advantage of the lower company tax is that you can retain 71.5% of your after-tax profits to reinvest in your business or help with your cash flow.

From an administrative perspective you will need to pay yourself a wage from the company and before you convert to a company structure you need to understand the capital gains tax implications. For example, companies pay full capital gains when they sell an asset, however, individuals receive a 50% discount if they've owned it for more than a year. The good news is there are generous concessions for small companies, which in some circumstances can amount to a 75% tax discount for the sale of a business. As with income tax, you should explore this thoroughly before making any decision and quite often your choice of business structure will be a compromise based on the relative importance of issues like asset protection, tax savings, capital gains tax implications and the potential admission of new investors.

- **Ownership And Selling**

A proprietary limited company is the most common type of company used by small business. It differs from a public company in that it can't list on the stock exchange or raise money from the public and can't have more than 50 owners who don't work for the company. It does, however, have options for raising funds that aren't so easily available to sole traders. For example, they can sell shares to existing shareholders or employees of the company.

Compared with other business structures, the transfer of company ownership can be relatively simple. Also, a company is a legal entity in its own right, so it does not have to be wound up in the event of the death, disability or retirement of any on the persons involved.

If you think it's time for a review of your business structure, talk to us today.

Cloud Accounting Just Hot Air?

Accounting firms around the country and their small business clients are moving to cloud accounting. While we will always support non-cloud based programs here is a short guide on the ins and outs of cloud accounting.

What is the Cloud?

You may already be operating in the cloud. An example of this would be online banking where your data is stored securely for access from various sources. You can access your data anywhere, anytime from any device. Cloud accounting operates the same way and you no longer have to rely on a single hard drive for your financial data.

Disadvantages of Desktop Financial Software

Traditional accounting software is generally licensed for a single computer, office or desk. There are costs for keeping the software up to date and storing data on USBs and emailing files can be inconvenient plus can create confusion regarding which data file is the latest. In some cases, it can prove to be expensive to buy the software in the first place then add extra users as the business grows. With desktop software it may not be possible to remotely access customer details, files or other financial data.



Advantages of Cloud Accounting Software

- The number one advantage of cloud accounting software is access to your data from anywhere, anytime with any kind of device with an internet connection.
- Financial data operates in real time with many bank accounts and other sources flowing automatically into the software.

- Most providers allow for simple subscriptions which means that team members can be easily added as the business grows.
- There are generally powerful applications and tools available to process data which may have been quite expensive to access using traditional desktop financial software.
- The software program will always be up to date.
- Automatic 'back up' as all entries occur in real time. If a laptop was stolen or lost, or a disaster like a flood occurs, putting the workplace out of action, the online data is still available from any other source which eliminates any potential downtime.

Disadvantages of Cloud Accounting Software

- **Potential Loss of Sensitive Data**
Technically you are losing control of your data by entrusting it to the cloud. While established cloud accounting vendors promote that they have the latest, most sophisticated data security systems possible, there is still an element of risk whether it is from hackers, disgruntled ex-employees or inadequate username and password security. Conversely, because large providers have more resources, they are often able to offer levels of security beyond the budget of an average small business.
- **Loss of Internet Connection**
If you (or indeed your business location) suffers from internet outages or slow speeds, cloud solutions may not be suitable for your circumstances. Without a reliable internet connection a cloud solution will prove very frustrating.
- **Cost**
Although most providers advertise on a pay as you use basis, check the contract as there is often a pre-determined period that you are contracting to. Ensure that you have the ability to add and subtract users as your business expands or contracts.
- **Data Back Up**
Some providers don't provide any facility for backing up your data to your own computer, which would only become a problem if you decide to change providers. It is possible to lose the data entered in your previous provider or to have to continue to pay a subscription cost to access the data.

We would like to take this opportunity to thank you for your support and to wish you and your family a safe and Merry Christmas, a Happy New Year and a Prosperous 2016.



ATO Offers Help to Industries Struggling With SuperStream

The ATO has admitted that there have been some ‘teething problems’ with the introduction of SuperStream which is a government reform designed to improve the efficiency of the superannuation system. Businesses employing 20 or more employees were originally expected to be using SuperStream from the 1st July this year (but that date was pushed back to 31st October 2015). Smaller employers (19 employees or less) are expected to be compliant from 30th June 2016.

The new standards require employers to make super contributions electronically in a message format to the superannuation fund and the contribution payment is to be made electronically through the banking system. The data message and payment are linked by a payment reference number which enables reconciliation by the receiving superannuation fund. New employer initiated member registrations and ongoing maintenance of employee member details must also be communicated electronically to the fund. All employer super contributions are captured including the compulsory Super Guarantee, award and salary sacrifice. All employees, whether full time, part time or casual who were on the books at 1 July are counted in determining whether an employer is regarded as small or medium to large. These rules also apply to all contributions to Self-Managed Superannuation Funds (see section below).

The ATO reports that around 350,000 businesses including 250,000 small businesses have already made the switch to electronic superannuation contributions. They report that although there has been some errors occurring, generally the implementation is on track and ahead of expectations. Common errors reported so far include employers transmitting data with key information missing or the amount of money going to the fund not reconciling to the employer statement. Employers are reminded to include their ABN as a reference on their SuperStream payment so the payment source is easily identified. Significantly the ATO reports a decrease in the underlying error rate which was between 5 to 15% of all contributions prior to SuperStream. This rate has reduced to 2% with the first round of implementation.

In addition, the Tax Office has identified 22 industries which might benefit from additional help where the type of small business would require more effort to connect them up with SuperStream. The ATO program will include information emails and webinars and forms part of an education program encouraging small business owners to talk to their accountant to obtain advice and connect them with solutions. Below is a list of the 22 industries the ATO will be targeting:

- Pharmacy & Cosmetics
- GPs, Dental & Specialists
- Fruit, Veg & Floristry
- Farming
- Road Freight
- Metals & Engineering
- Other Specialist & Boutique
- Hospitals, Clinics, Aged Care, Accommodation & Allied
- Banking & Finance, Insurance & Super
- Cafes, Restaurants, Catering & Take-Away
- Trades
- Automotive & Repair
- Engineering & Technical Services
- Bus & Taxi
- Building & Employment Services
- Education & Training
- Accommodation, Pubs & Clubs
- Food & Grocery
- Manufacturing – General
- Hairdressing & Beauty Services
- Consulting (Management & IT)
- Accounting & Legal

Depending on the size of the business, the new rules may require employers to check that they have a software solution that can provide the necessary data and files or that they appoint an external provider. Employers can utilise the services of a superannuation clearing house, which is a service that receives one file and one payment from an employer and transfers payments and data to multiple superannuation funds in the required format.

The Federal Government operates a free clearing house service for employers with fewer than 19 employees or with aggregated turnover of less than \$2million called the Small Business Superannuation Clearing House.

Self-Managed Super Funds (SMSF)

Self-Managed Superannuation Funds receiving employer contributions must be able to receive the electronic payment and data details. Business owners with their own self-managed fund are excepted under the related party ruling and no action is necessary. Other Self-Managed funds will need to engage a SMSF messaging service provider. The ATO has established a register of SMSF messaging service providers at:

<http://www.ato.gov.au/Super/SuperStream/In-detail/Contributions/SMSF-messaging-service-providers/>



How to Claim Your Website Costs

We consistently write about the importance of your website as a tool to reach your customers and potential customers. For many business owners it is a major cost to build and the tax treatment will depend on when you spend the money, before you start the business or after you commence operations.



Claiming Website Costs

If you spend the money before your business starts, you can claim the costs over a five year period once you start operating. If you spend the money after your business commences there are different ways of claiming a deduction. Depending on the cost, you'll either be able to claim the full deduction in that year, or you'll need to claim it over a number of years.

If you're a small business with an aggregated turnover of less than \$2 million, you can choose to claim the costs using the simplified depreciation rules. If you have chosen to do this and the cost is:

- less than the instant asset write-off threshold (\$20k after May 12, 2015), you can claim a deduction for the full amount in the income year you incur the expense.
- equal to or more than the instant asset write-off threshold, you allocate it to a general small business pool.

You cannot use the simplified depreciation rules if you've chosen to allocate expenditure on the software to a software development pool. From 1 July 2015, in-house software expenditure incurred and allocated to a software development pool is deductible over five years.

If the simplified depreciation rules **do not** apply, you can claim a deduction for website costs over five years if you incurred them on or after 1 July 2015. If the expense is:

- in-house software, you deduct 20% of the cost per year
- included in a software development pool, you deduct different proportions of the expense each year.

You can only allocate expenditure to a software development pool if it was to develop software, not to buy software off the shelf.

Claiming Ongoing Running And Maintenance Costs

You can also claim an outright deduction for some ongoing expenses associated with running and maintaining your website in the income year the expense is incurred. Some examples include domain name registration fees and server hosting costs.

Example 1

In July 2015 your small business bought a \$2,000 website hosting package. You also have to pay service fees of \$50 a month, plus \$50 a year for the domain name. You can claim a deduction of \$2,000 in your 2015-16 tax return under the simplified depreciation rules, and a deduction for the monthly and yearly fees in the year you incur those expenses.

Example 2

You set up a software development pool in 2012 when you set up your business' first website. In August 2015, you incurred \$4,500 in costs to update the software behind the website. You have to allocate this expenditure to the software development pool and can claim a deduction for it over 5 years.

Stay tuned

The ATO is also developing a public ruling on the deductibility of website development costs. It is consulting with tax and industry representatives to discuss the issues and scope of the ruling. More detailed information will be available after the public ruling has been developed.

Phone Tapping Powers for ATO?

A parliamentary committee has recommended that the Australian Taxation Office should be able to intercept stored phone calls, emails and SMSs as part of its efforts to crack down on serious criminal behaviour and tax fraud.

The report into financial related crime which was released in September this year recommends the ATO be listed as a criminal law enforcement agency under metadata retention laws passed in 2014 and would grant the ATO powers similar to those utilised as part of the Project Wickenby investigation, the largest tax-evasion investigation undertaken in this country. The report also looked at the threat of technology-based financial crime such as money transfers and thefts and recommended ASIC improve their response time to limit internet scams.

In the meantime, the ATO plans to target up to 90,000 small businesses that are deemed to be failing to comply with their tax obligations. This follows the Tax Office's launch of a social media campaign earlier this year which called for consumers and business owners to 'dob in' businesses suspected of evading tax bills.



Business Start Up Corner - It's Easy in Australia!

According to the 2016 edition of the World Bank *Doing Business* report, Australia is the eleventh easiest place in the world to start a business (several years ago we were ranked in the top three). The study also found it was possible to set up an operation in Australia in just 2.5 days and after just 3 procedures.

The research analyses regulations that apply to an economy's businesses during their lifecycle including start-up and operations, trading across borders, paying taxes and protecting investors. To some extent, experts maintain the report is flawed as the index focuses solely on laws and regulations but it is a useful benchmark guide.

Australia does have some of the basics right including rules of law, transparency and accountability and this country is essentially a friction-free environment for a business to set up. The problem lies in the administrative burden of conducting a business in Australia and in many of the areas essential to operating a business. We still have work to do to match the leading economies in developing a streamlined, effective and inexpensive system where businesses can easily start up, operate and succeed.

There is no doubt that starting a new business is hard. However, the range of new products and services on offer means it is getting cheaper and easier to get up and running. Here are some examples of what many new businesses are using:



On Line Business

Retailers and other businesses no longer require a bricks and mortar presence because websites provide a digital 'shopfront' for online business owners. Online sales continue to grow and traditional business models are being replaced with online marketers, E-Bay and e-commerce businesses. The barriers to entry into an online business are minimal and the cost to establish and

operate an online store are a fraction of the traditional retail shop. All you need is a computer, an internet connection and a website complete with e-commerce functionality and you are ready to launch. Of

course, the internet provides a level playing field for retailers so once you have a web page you can effectively compete with the big players in your industry and almost any business can reach a global market, quickly and economically irrespective of their size.



Shared Office Space

Shared office space has become more prevalent across the capital cities, allowing start-ups to set up for a fraction of the price of a traditional office. Often they are month-by-month and do not need you to commit to long-term leases. Business incubators (or accelerators) are another option and while some offer seed funding, others just offer a space to work or mentorship.

Voice over Internet Protocol (VoIP)

Most businesses find it essential to have a regular phone number but it has been prohibitively expensive in the past with a new number running to hundreds of dollars plus the ongoing monthly charges for even a basic service of around \$30 to \$50 a month. PABX features such as voice greetings, menus to direct callers to the right place, call queues or even just voicemail meant that small business phone systems had to be physically installed and purchased.

VoIP services can provide these features, are quick to sign up to online and utilise your computer or a cheap IP phone from a local electronics shop through to high end PABX units. VoIP uses your internet connection, so there is no need to wait for a technician. Diversions can be set up to other numbers including your mobile so no physical phone line needs to exist.

Online Business Applications

Once upon a time it was an expensive and time consuming process to obtain your own business email address. You needed to purchase a server and connect it to the internet and spend money and time getting it configured so you could have an email address such as me@mybusiness.com.au. This applied to setting up customer relationship management programs or online shopping websites, administrative processes, etc. Now it is possible to purchase software-as-a-service (SaaS) so that start-ups can now access powerful applications online and pay for them month by month (often after a free trial) instead of having to outlay big money up front. Some common examples from the enormous range of categories available include:

Business Start Up Corner - It's Easy in Australia! (Continued)

- Office style productivity, such as Google Apps or Office 365
- Customer relationship management (CRM), such as Hubspot, Sugar, Zoho, Highrise, Salesforce
- Accounting (invoicing, payroll, etc.) such as Xero, MYOB, Live Accounts and Cashflow Manager
- Websites and online shopping, such as [Bigcommerce](#), [Ozcart](#), [Neto](#), [Weebly](#) or [Squarespace](#)
- Project management tools - an enormous range on offer including [Jira](#), [PivotalTracker](#), [Zendesk](#), [Basecamp](#) and [Trello](#)

Have You Insured Your Biggest Asset?

Insurance is one of those strange commodities that we have 'just in case'. The best case scenario is you never make a claim!

If you haven't had to access your house, contents, car or other insurance this year you can breathe a sigh of relief. If you have been unlucky enough to make a major insurance claim you would have thanked your lucky stars that you had good quality cover and that life could resume pretty much as normal without major disruption.

What is your most significant asset? Would you think it was your business, your house, your car? The real answer is none of the above because it's really your ability to earn income over your lifetime. You only need to look at the numbers, if you start out earning \$40,000 per year (increasing only with inflation set at 1.5% per annum) for forty years, your total gross earnings would be around \$2.25 million. If you earn around \$75,000 from age 35 to 65 your total gross earnings for that thirty year period would be \$2.9 million (\$3.9 million if your starting point was \$100,000 for thirty years).

An income protection policy can protect your most valuable asset. Make sure you take the time to investigate the providers because not all policies are the same. Some might have fundamental differences in the medical definitions which are crucial as to whether you will or won't receive your salary continuance benefit if you are unable to work due to accident or illness.

Also check the length of the benefit period. Some policies, especially when held within a superannuation fund, are for as short a period as two years. Although two years of salary continuance is helpful, it is not replacement for your lifelong income, so a policy replacing income until age 65 might be more appropriate.

If you're contemplating taking out income protection insurance talk to us today.



Increase Your Website Sales

The primary purpose of your website is to generate more traffic and the marketing challenge is to then convert that traffic into leads and ultimately, paying customers. If your website isn't delivering, there's a reason.

Your website is your online salesperson, working 24/7 to grow your business and strengthen your branding. In business, every second a visitor spends on your website counts and statistics from the Nielsen Norman Group suggest that the average visitor stays on a website for between 10 and 20 seconds. If you don't engage with them in that time you are probably losing them to a competitor. Every second counts and the more time visitors spend on your site, the more likely that your site will generate leads, sales, comments and backlinks.

Of course, having a website is one thing, but having a valuable 'lead generation' website is something else. Unfortunately most websites are simply 'electronic billboards' that list the who, what and where of the business. They don't attract new business and rarely convert prospects into sales. Below we have identified some of the key features your website must contain to engage your visitors and keep them on your site for longer:



Increase Your Website Sales (Continued)

1. Include Reviews or Testimonials.

Websites without customer testimonials are missing a key marketing ingredient. By including testimonials you can reassure visitors that you have experience in solving their problems or have industry specific knowledge that could give them a competitive edge. Video testimonials are powerful and photos of satisfied customers also add credibility to the testimonial.

2. Easy on the Eye

First impressions count and your credibility and image can be tarnished by using low resolution or amateurish images. Apart from being visually appealing, high quality photos and a clean, uncluttered look is more likely to increase social media shares as well as boosting SEO when the pictures have been tagged with key words. Search engine crawlers will recognise and register images if the right title and description is added to the image. This can then be displayed as part of your content in Google Images with a backlink to your website. There is a list of websites at Labnol.org which offer free images.

3. Colour Coordination

We all know the importance of branding and make sure your website includes a co-ordinated colour scheme. Avoid colour clashes at all costs as you only get one chance to make a good first impression. A colour clash can distract visitors.

4. Up to Date or Out of Business

Scroll down to the bottom of a webpage and check out the copyright date. Is it recent? By regularly adding new content and refreshing existing copy you reassure web visitors that all the information on your website is up to date. Google and the other search engines crave fresh content and out of date information destroys your website appeal.

5. Be Easy to Find

The best website in the world is just a billboard in the desert if no one can find it. It's not that difficult to develop content and web pages that are easily discoverable by the search engines and consumers. Include a strong domain name, carefully optimised page titles that accurately reflect the content and use effective keywords.

6. Get Responsive

Your website might be a Picasso when opened on a desktop computer, however, if it resembles a dog's breakfast or loses functionality on a mobile device, you risk losing a chunk of your online audience. With studies showing that up to fifty per cent of online shopping is performed using a mobile device you can't ignore mobile functionality and you need a responsive design. A mobile friendly website with simplified design including a large font and key information 'above the fold' are now stock standard. As a minimum, ensure the key information including your name, phone number and calls to action appear on the home page.

7. Clear Contact Information

By having contact information easy to find, customers needing help or having a question know how to contact you. Providing immediate help via a live chat feature is another way that you can engage with customers and boost sales.

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