

Q1 2018

# BUSINESS MATTERS

Strategies for managing your business



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## Make 2018 your best year ever

The New Year is the perfect time to reflect on the past year, and implement changes in order to strengthen and grow your business.

Consider the following areas when developing your New Year business resolutions:

### Finances

No matter how well your business performed in the past year, there is always room for growth and improvement. If you set a target of earning a certain figure in 2017, raise that by 10 per cent for 2018. Revisit where the business is spending money and create strategies to lower these costs. For example, if the internet bill for the business is X amount, consider shopping around and looking for a cheaper deal. Small changes in multiple areas can see you make an extra 10 per cent annually without feeling like you are making large sacrifices.

### Revamp social media marketing strategies

Technology is ever-evolving, meaning the way it can be used as a business and marketing tool is too. January is the ideal time to do your research; investigate emerging trends for social media marketing and try to analyse the direction in which these trends

are travelling. Research may tell you, hypothetically, that successful businesses in your industry are steering away from Facebook and are predominantly using Instagram and Snapchat. In this instance, you should be analysing how you can adapt and transform your current marketing strategy to stay current.

### Professional and personal development

There is always something new to learn; whether that be related directly to your business and the industry it is in, or whether it relates to personal skills that will make you a better business person and a better leader. Take some time to look at the courses available to you, that will fit into your schedule, or that you can adjust your schedule to fit them in.

There are many organisations online that provide courses in a large array of areas, such as developing your technology skills, learning how to use specific software and programs, business refresher courses, etc. You may have always wanted to learn a new personal skill, such as yoga, rock climbing or a new language; make that a priority in 2018. Developing your personal skills will help you to become a better leader and all round entrepreneur.

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## Don't get caught at these public holidays

When it comes to public holidays, business owners have the responsibility of getting it right.

Consider the following:

### National public holidays

Under the National Employment Standards (NES), the following days are national public holidays:

- 1 January (New Year's Day)
- 26 January (Australia Day)
- Good Friday
- Easter Monday
- 25 April (Anzac Day)
- Queen's birthday holiday (celebrated on different days for each State or Territory or a region of a State or Territory)
- 25 December (Christmas Day)
- 26 December (Boxing Day)
- Any State or Territory (or a region of a State or Territory) specific public holidays.

### Requests

Employers can ask their staff to work on public holidays if it is required, however, an employee can refuse the request if it is considered unreasonable.

Fair Work Australia reminds business owners to decide if the request is reasonable by considering:

- the nature and needs of the workplace
- the employee's personal circumstances
- whether the employee will get more pay
- the type of work
- whether their salary includes work on a public holiday
- their employment status (full-time, part-time, casual, etc.)
- how much notice is given
- the notice an employee gives when refusing to work on a public holiday.

### Pay on public holidays

Most employees are entitled to penalty rates for working on a public holiday, these are set by the award or enterprise agreement the employee is under. Some awards and agreements allow staff and employers to agree to substitute the public holiday for a different day, get time off in lieu, or have a day added to their annual leave balance.

When a public holiday falls on a day or part-day that an employee would usually work, you must pay the employee their base rate of pay for their ordinary hours of work.

### Other considerations

Public holidays that fall on an employee's paid leave do not get treated as annual leave; the day is still treated as a public holiday and the employee must be paid at least their base rate of pay for the day.

## Digital currency no longer subject to double tax

The Government has announced that the GST treatment of digital currency, such as Bitcoin, is now the same as using money for purchases of goods and services.

Businesses that use digital currencies will no longer need to pay GST twice, as of 1 July 2017.

The Commissioner of Taxation accepts that affected taxpayers may lodge BAS in accordance with either the current law or in accordance with the new law from 1 July 2017 until the corresponding amendments made to the GST Regulations are registered.

The following will apply if the GST Regulations are registered:

- Taxpayers who correctly anticipated the law do not need to act.
- Those who did not anticipate the law, i.e., acted in accordance with the current law, will be required to lodge requests for an amended assessment.

Taxpayers may receive a refund of overpaid GST provided the amendment results in a reduction in liability (subject to restrictions). If the amendment results in an increase to your liability, no tax shortfall penalties will apply and any general interest charge associated with the shortfall will be remitted to nil for a period up until 28 days after the amending Regulations are registered.

## Maximising efficiency in your business

Creating an efficient workplace is desirable for both staff and business owners alike. Not only does it save money and time, it can also improve productivity and morale.

Here are five ways to improve efficiency in your business:

### Examine what is and isn't working

Identifying your business' strengths, weaknesses and opportunities goes a long way in improving efficiency.

Look at your processes and procedures in your business model and analyse the need for improvement. Overcomplicating or introducing multiple new systems can often slow your progress rather help it.

### Automate where possible

Automating monotonous tasks can save time and prevent employee boredom, which can impact productivity. It also means employees can spend more time on tasks and projects of more importance and urgency to the business.

### Minimise interruptions

Continual interruptions are a surefire way to decrease productivity. Between answering emails, attending meetings, requests from coworkers, etc., it is no wonder employees find it hard to concentrate. Try to limit interruptions such as unnecessary meetings and encourage staff to respond to emails in set time frames rather than checking up on them non-stop.

### Avoid multitasking

Concentrating on completing one task at a time is much more effective than multitasking as it allows you to get into the flow of work. Switching between tasks often interrupts this flow and disrupts concentration. Try to block out chunks of time for each individual task to maximise productivity.

### Foster the right environment

Creating an environment where communication and collaboration are highly valued is paramount to business efficiency. Encourage face-to-face communication and communication between departments to improve feedback.



## Boosting employee engagement

Ensuring employees are engaged and committed to their work will ensure they are making a valuable and profitable contribution to the business.

While daily tasks will vary based on the type of business and industry, there are universal strategies employers and managers can implement to ensure employees are optimally engaged in their work from day to day. Consider the following:

### Collaborative projects

A great way to engage employees is to promote a team atmosphere by introducing collaborative projects. Working collaboratively is effective when brainstorming and problem solving, to ensure the best strategies are being put into place. With a group of people working on a project, questions related to practicality and how to strengthen the project are more likely to arise, thus strengthening the overall outcome of the project.

Many people dislike collaborative projects as it requires them to communicate with others and forces an element of accountability over the work they

produce. When hiring, make it clear that the workplace encourages a team based atmosphere to weed out the applicants that aren't prepared to work with others.

### Encourage and support positive well-being

While employees that work hard and prioritise the business are great assets to have, if they don't live a balanced lifestyle and only focus on their job performance, they are more likely to burn out. Creating a working environment where employees feel lucky to work with the business rather than resent their job will create a sense of commitment and loyalty between employees and the business. Ways to create this sense of commitment include:

- Making it easy and encouraging employees to participate in commitments outside of their work, such as special milestones their children participate in.
- Allowing employees time to attend appointments during work hours.
- Giving employees time to catch up on work they have missed through being sick or having other extenuating circumstances.

- Encouraging employees to look after their health, by promoting different physical activity pursuits such as office fun runs or lunch time fitness.
- Ensuring there are facilities for employees to store and prepare healthy meals.

### Flexibility

A flexible employer is one that treats their employees as individuals with lives outside of work, not simply just as cogs in the wheel that only function to serve business goals. By providing flexibility to your staff, you are going to have people that want to work for you and you will retain them longer because of the benefits that come from being a part of your team. Ways to provide flexibility include:

- Flexible working hours, such as starting and finishing early, starting and finishing late, or splitting a shift due to an appointment in the middle of the day.
- Working remotely.
- Allowing a 9 day fortnight, allowing staff to take care of any other commitments on their fortnightly RDO.
- Allowing staff to work weekends.

## ATO targeting cash-only businesses

To protect honest, compliant Australian businesses, the Australian Taxation Office (ATO) has placed a strong emphasis on targeting the cash and hidden economy.

The ATO is visiting businesses that deal predominantly in cash, with a focus on those that:

- Fail to meet super or employer obligations, and that fail to register for GST or lodge activity statements.
- Operate outside regular small business benchmarks specific to their industry.
- Show discrepancies between what they have reported and ATO collected data relating to electronic payments.
- Operate and advertise as cash-only.
- Income does not correlate with the lifestyle of the business owner, i.e., assets and spending habits exceed what is expected of someone with their reported income.
- Pay their employees cash-in-hand.
- Estimate their sales and income.
- Use the 'no sale' and 'void' button on cash registers when taking cash payments.

- Do not reconcile at the end of the day and do not keep cash register tapes.
- Are reported to the ATO by members of the community or any third party regarding potential tax evasion.
- Are part of an industry that is known for dealing primarily in cash-only.

When out visiting cash-only businesses, the ATO will be working in unison with local authorities and industry associations to ask questions and discuss:

- Why the business operates primarily or only in cash.
- The need to lodge tax returns and activity statements.
- How to be compliant in relation to tax and super obligations.
- Different claims and tax deductions businesses can make.
- The general community preference to have EFTPOS or electronic payment options available to them.
- Benefits of electronic payment and record keeping facilities.
- Relaying tools and services businesses can use if they are struggling to ensure they are compliant with Australian tax laws.

If the ATO comes across a business that is doing the wrong thing or failing to meet their obligations, they have a duty to take action. This may result in the business facing an audit and possible prosecution.

If you have made a mistake and make a voluntary disclosure detailing your errors, the ATO will work with you to rectify this and create a solution.



## Evening the playing field

After major findings concerning unfair small business contract terms, the Australian Competition & Consumer Commission has continued the investigative focus, to ensure small business receive appropriate protection.

Section 23 of the Australian Consumer Law (ACL) introduced in November 2016 prohibits unfair contract terms in most small business contracts. The unfair contract terms law applies to business-to-business contracts concerning the supply of goods, services, or sale or grant of interest in land, where:

- One or more of the parties are a small business and
- Upfront price payable under the contract is no more than \$300,000

The law applies to contracts entered into, renewed or varied on or after 12 November 2016.

The ACCC has, since the introduction of this law, has taken legal action against multiple small businesses with unfair contract terms. Apart from many of the court cases that have resulted in well-known small businesses being ordered to change the terms laid out in their contracts, numerous businesses have adjusted their terms under the guidance of the ACCC to improve their terms and ensure they are remaining compliant, including Uber, Sensis and Fairfax Media.

Occurrences which may deem a term unfair often relate to conditions that allow one party to act in a specific manner but not the other, including:

- Varying the terms of the contract, such as changing pricing at any time without giving an opportunity to cancel the service.
- Termination of the contract, without following due process.

- Failing to fulfil one party's obligations as laid out in the contract, such as cleaning costs or removal of rubbish costs after a construction job has been completed.
- Penalties for cancelling or breaching a contract, where the other party enforcing penalties can cancel at any time.

Businesses associated with unfair contract terms can become tainted with a poor reputation, on top of facing serious fines and penalties.

If you feel you have been the victim of an unfair contract, consider the following options available to you:

- Organise a meeting with the other party, to discuss the contract and implement an amended contract.
- Contact either the ACCC, your local state or territory consumer protection agency, or the Australian Small Business Ombudsman.
- Seek legal advice.

## Getting ETP's right

When an employee is let go or they quit; there is a chance they are owed money, otherwise known as employment termination payments.

If an employee leaves the business, they may be entitled to several lump sum payments, many of which are taxed differently to normal income. Understanding what is owed and making these payments promptly will help ensure the ex-employee moves on quickly and harmoniously.

Employment termination payments include lump sum payments that cover the following:

- Payment owing for any of the employee's unused rostered days off.
- An employee's invalidity payment, often relating to payments for permanent disability, other than compensation for personal injury.
- Specific payments after the death of an employee.
- Gratuity payments (or 'golden handshake' payments).
- Payments in lieu of notice.

Other payments leaving employees may be eligible to receive include payments for unused annual or long service leave, or the tax-free portion of a genuine redundancy or early retirement scheme. These payments are strictly not included in ETP; but they

can be taxed concessionally.

Generally, regulation surrounding the taxation of employment termination payments include:

- Employees pay a lower tax rate on payments when received within twelve months of their termination. If payments are not received within 12 months, they will be included in the employee's assessable income and taxed at marginal rates. If an employer has failed to make relevant payments within 12 months of termination, the employee can take legal action.
- Employment termination payments can not be rolled over into super.

It is important to be aware of the special tax treatment and differing caps on concessional treatment of ETPs. Consider:

**Whole-of-income cap:** tax payable on ETP, if employee earns more income in the same financial year (eg. getting a new job) as their employment is terminated.

**ETP cap:** cap applies to all ETP and has a threshold that is indexed annually. ETP tax rate varies depending on age of employee. If over the preservation age, they are taxed at a maximum of 15 per cent plus 2 per cent Medicare Levy. If under the preservation age, they are taxed at maximum of 30 per cent, plus 2 per cent Medicare Levy.

## Important tax dates

### 28 January

Make Q2, 2017-18 SG contributions to funds by this date.

### 31 January

Lodge TFN report for closely held trusts if any beneficiary quoted their TFN to a trustee in Q2, 2017-18.

### 21 February

Lodge and pay January 2018 monthly activity statement.