

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



McLENNAN
PARTNERS PTY LTD
CERTIFIED PRACTISING ACCOUNTANTS

Speaking with your customers

The days of one to many marketing are coming to an abrupt halt. Now it's all about many-to-many, where the audience (or your potential customers) are participating in a more holistic brand experience. This is known as Integrated Marketing Communications, or IMC.

Most businesses are taking IMC on board as it provides an effective and efficient communications strategy that speaks to a wider audience through various channels. It's about being creative and consistent: driving one brand message throughout the various platforms whilst harnessing each platform's inherent advantages.

Traditional one-to-many communication, such as newspaper advertising, is becoming more and more obsolete as consumers are demanding a more participatory communication through which the benefits of the brand are experienced rather than told.

IMC integrate public relations, advertising, social media and other communicative elements into one communication objective. For example, instead of seeing your television advertisements as separate forms of communication, they now represent one an element of your entire strategy. Television

advertisements may prompt the audience to your online platforms through which they can learn more about your brand.

IMC includes public relations practices such as event sponsorships and event marketing. For example, you may be a business specialising in sports jerseys. You target market is local sports clubs. Therefore, your brand image may be family, affordability and community. Sponsoring local club events like charity draws may be a good way to solidify your brand image, whilst promoting customer participation.

The key is to pin point your brand image and adapt that image to the various communication outlets. For example, if your business sold computer parts you would want your brand image to reflect a sense of technological innovativeness or forward thinking. Your website should link to social media platforms such as blogs or Facebook, through which your customers can engage in a two way dialectic with your brand.

However, it is important that the communication is simple and straightforward. Audiences are bombarded with a myriad of messages each day, so something concise is more likely to resonate successfully than something cryptic and convoluted.

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Income test for the entrepreneurs tax offset



Individuals claiming the entrepreneurs' tax offset (ETO) will need to complete a new income test as from income years beginning on or after 1 July 2009.

The ETO is a tax offset equal to 25% of the income tax payable on your business income, with an aggregated turnover of \$50,000 or less. The ETO is phased out before your turnover reaches \$75,000.

The recent law changes require individuals to meet an additional income test in order to apply for ETO. In general, this

test applies if you are a small business sole trader, a partner in a small business partnership, or a beneficiary of a small business trust.

This new income test incorporates other income of the individual and their spouse, such as salary and wages. This is calculated in addition to net investment loss, total reportable fringe benefits and reportable super contributions.

What are the changes?

The new income test reduces the ETO entitlement for the following two cases.

1. Individuals who are single, with no qualifying dependent and with an income for ETO purposes over \$70,000.
2. Individuals whose income for ETO purposes exceeds \$120,000, with...
 - A spouse on the last day of the income year.
 - A qualifying dependent on any day of the income year.

If an individual falls short of the income test, their offset will be reduced by 20 cents for each dollar their income exceeds the threshold described above. This is in addition to the phase-out incurred before turnover reaches \$75,000.

Steps to take!

For the 2009-10 and later income year returns you will need to:

1. Calculate your income for ETO purposes prior to claiming ETO.
2. Complete the new labels of your tax return if claiming the ETO including:
 - relevant income tests and spouse details.
 - marital status code.

Remember, the ETO can only reduce the amount of tax you must pay each year. It cannot refund any unused tax offset, be deferred to reduce tax in future income years or be transferred to another tax payer.

Business records are vital

For businesses operating in a fast paced and dynamic environment, the task of keeping records can fall secondary to everyday business operations. However, failing to efficiently keep up-to-date and comprehensive records can hurt your business's long term operations.

Probably the most important reason behind sound record keeping, is gaining knowledge into the intricacies of your business. Keeping your records in check will help you understand the current climate of your business and also project future profit or losses.

In addition good record keeping will also show you where your business needs improvement or re-invention, whilst arming you with ammunition to gain that all-important loan for expansion.

The following five points are a few vital areas to consider.

1. Financial Statements: keeping accurate and up to date financial statements will help you at a time of lending applications. These finances include income statements as well as balance sheets. A balance sheet shows assets, liabilities and the equities of your business at a specific date.

2. Purchases and expenses: are the items you buy and sell to your customers and the costs of running your businesses. Supporting documents for both of these include invoices, email records, credit card slips, cancelled cheques, cash registrar tapes and account statements
3. Deductible expenses: at tax return time it's handy to have an assortment of receipts and documents that outline your deductible expenses. This includes travel, transportation, uniform and entertainment for example.
4. Identify the source of receipts: you need the information of the source of your receipts to separate business from

non-business receipts and taxable from non-taxable income.

5. Assets: are the properties that you own and use in your business. These records verify information regarding your business assets, such as when and how you acquired these assets. They will also help you to determine the annual depreciation when you sell the assets. Examples of these records include purchase or sales invoices and real estate closing statements

Whatever your business is, take the time to strategise an efficient and long term way to organise your records.



A positive work environment

Your business is only as successful as its staff, for a train will not run on time if all engine parts do not work together.

Therefore, it is of utmost importance that you develop a positive work culture in your business. This requires thinking beyond the individual and focusing on the concept of 'team work'.

Here are several ways in which you can motivate your staff as a collective group to work successfully in the name of your business.

1. Hiring motivated staff

This is the first and most important step, which can be easily controlled in the interview process. Remember to hire a person based on their attributes and their previous work experience. It is important that you remain professional and prevent the overriding encroachment of personal judgments.

2. Motivation starts at the top

You must employ a 'team leader' or a manager (this may be you) that has the qualities necessary to keep the train moving. They must exude both strict and compromising qualities. Look out for a balance.

3. Establish clear goals for the team

A team needs direction and goals to establish a sense of achievement once they have been reached. Goals can be established on a monthly, weekly or daily basis.

4. Set out clear rules

This not only applies to ethical issues such as personal conduct at work, but also to cleanliness. If these rules are laid out firmly from the beginning



there will be no ambiguities and therefore no excuses.

5. Develop healthy competition

Even in a team environment it is effective and important to reward individuals. Within the framework of clear goals, good performance should be recognised and rewarded. Rewards can be determined in team meetings: this way everybody is aware of them and are in agreement that they are worth working towards.

6. Conduct regular meetings

These meetings should encourage the participation of staff in the operation of your business. Any issues, ideas or motivation strategies should be put forth in this arena. This will establish a sense of pride in the staff and provide you with a fresh outlook.

7. Create a buddy-mentor strategy

This is most effective for new employees. Rather than throwing them in at the deep end, pair them up with an experienced staff member in their particular field. This is less intimidating

and can save time in the learning and training process.

8. Have training workshops

Within a rapidly changing technological and business environment, it is important that your staff is proficient in the associated new practices or skills. Hire a professional if need be and dedicate time to teaching and easing your staff into these new territories. It will pay itself off in the long run.

9. Conduct regular one-on-one performance and career discussions

Herein managers should inform individual staff members of the progress and areas of strength and/or weakness. Managers need to be productive and helpful. If there are any areas of the individual's work that need improving, a manager should have a clear solution available.

As the old idiom goes, "a chain is only as strong as its weakest link"; developing sound motivation strategies for the benefit of a team is a step to success.

ATO obtains data from online sales

The ATO is drawing upon the sales data resources of eBay and the Trading Post to assess the level of taxation compliance of individuals and businesses that sell goods and services online.

The data identifies members of online selling sites who are involved in selling goods and services of a total value greater than \$20,000 in any of the past three financial years - 2007-08, 2008-09 and 2009-10.

The ATO expects that it will electronically match records relating to between 10,000

and 30,000 individuals. These records will be matched against identifiers including TFNs, ABNs, addresses and dates of birth.

The ATO is hoping to improve compliance with tax obligations through this initiative.

The data matching is set to assist the ATO in identifying those individuals and business who:

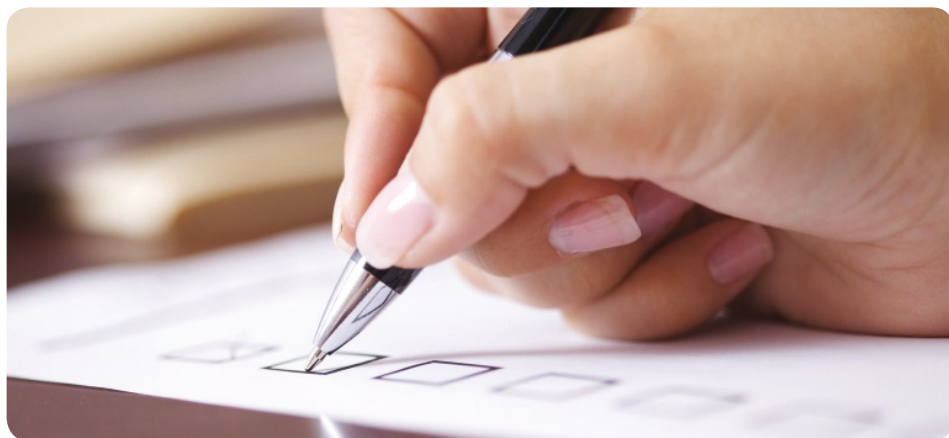
- Don't report or under report their sales
- Operate "off the books" and avoid their obligations by not registering, lodging returns or making payments

Additionally the ATO is hoping to increase community awareness of the ways in which data matching is used to address tax compliance.

The ATO will contact individuals and businesses that they identify as at risk of running part of their business off the books or not reporting all their income through other means.

The Commissioner encourages anyone who has understated their taxable income in the last 3 years to make a voluntary disclosure. In this way, there is a potential 80% reduction in the penalties incurred.

Do you have to pay fringe benefits tax?



Fringe benefits tax is separate from income tax and is based on the taxable value of the various fringe benefits you provide to your employees or your employees' associates. The fringe benefits year runs from 1 April to 31 March.

Here is a checklist to determine whether you are required to pay fringe benefits tax

- Do your employees use business owned cars or other vehicles for private use?
- Are these vehicles taken home by the

employees and garaged overnight-even if only for security reasons?

- Do you have any arrangements with your employees regarding salary sacrifice?
- Have you paid or reimbursed any employee expenses, such as food expenses/ petrol/ entertainment etc?
- Have you provided any employees with property, such as computer goods, for free or at a discount? This applies similarly with accommodation or reduced or free-of interest loans.
- Have you taken on any debt owed to the business by an employee?

- Do you provide employees with living away from home allowances?

If you have answered yes to any of these questions, you may be required to pay fringe benefits tax.

A sure way to avoid ambiguities is to ask yourself whether you would have provided the benefit if the recipient had not been your employee.

It is important that you keep records for the purpose of fringe benefit tax to avoid penalties incurred for tax evasion.

A great read

Execution: **The discipline of getting things done**

Authors: Larry Bossidy and Ram Charan

Crown Business, 2002

There is a big difference between promises and deliverance and as a business owner this difference should never come to play. This book enlightens us on how to close that gap and deliver on all business promises for business success.

Larry Bossidy is responsible for transforming company AlliedSignal, into a major success leading to his being named CEO of the year in 1998 by Chief Executive magazine. Ram Charan is an advisor to senior executives and boards of directors and with his experience, he provides solid insight to reasons behind the success or failure of businesses.

This book will help you to master the practice of execution and understand how to link together people, strategy and operations into three core elements in every business. Taking a hold of these elements is the key to 'running' the business as opposed to having visions which never come to play.

Execution: The discipline of getting things done, details the realities of hiring the right staff and directing that staff upon a team building strategy that is in sync with the realities of the marketplace, the economy and the competition.

Execution: The discipline of getting things done, is the perfect tool for transforming winning strategies into genuine results. Larry Bossidy and Ram Charan offer a compelling leadership prescription that comes down to realism, discipline and great execution!

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.marketingmag.com.au

This is a great site for updated news concerning all marketing trends and events.

www.businessknowhow.com

A great resource for business ideas and tips for success!

REMINDERS FOR YOUR DIARY

OCTOBER

- 28 Activity statements: Quarter 1 (July - September 2010) activity statements: final date for lodgment and payment.
- 31 Likely due date for lodgment of 2009-10 returns for individuals, partnerships, trusts, companies, other corporate entities (eg corporate limited partnerships and public trading trusts), super funds, ADFs and PSTs

NOVEMBER

- 21 Monthly BAS and IAS payments for October 2010 and PAYG withholdings from payments made in October 2010 by medium payers (who are not deferred BAS payers)
- 28 PAYG withholdings from payments made in October 2010 by medium payers who are deferred BAS payers

DECEMBER

- 21 Monthly BAS and IAS payments for November 2010 and PAYG withholdings from payments made in November 2010 by medium payers (who are not deferred BAS payers)
- 28 PAYG withholdings from payments made in November 2010 by medium payers who are deferred BAS payers