

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



Go green and profit

Tired of hearing about global warming, carbon footprints, and organic food? For every business, there are a number of actions that can be taken to incorporate positive environmental activities in your business and at the same time, improve profitability.

1. Improve your internal operations – Every company can save money and help save the planet by taking a few easy steps. The most important is reducing waste, which not only uses up the earth's resources, but is costly to your business. One of the hardest things to remember – but easiest things to do – is to turn off all electronic devices and utilities overnight and weekends. Your printers, monitors and copiers, are all on 'stand-by' mode. Also, look for eco-friendly supplies and raw materials.

2. Try encouraging employees to walk, bike, or take public transportation to work – Although rent may be higher, locating your business near public transport will benefit staff who don't drive to work – if you hire local staff the benefits may be even greater. Another option may be to allow employees to work from home. There are many options available now that enable remote access to a business' computer server.

3. Differentiate yourself from the competition by emphasising your green business practices –

If you're willing to commit to eco-friendly operations, you can stand out from your competitors and carve a niche in the market. Many customers prefer environmentally sensitive products or services, and this can give you an advantage over your competitors.

4. Sell a "green" product or service –

Ready to go totally green? The market for environmentally sensitive products and services is exploding. Those considering starting a business or those looking to revamp their existing company, can focus on serving the eco-conscious market directly.

5. Invent something – We're still in the very early days of the green movement and many problems still need to be solved. There are investors looking to fund creative companies that address environmental issues. A good, workable idea for an eco-friendly product or service has got good prospects, so now is the time to write that business plan, develop that prototype and build that product. Don't forget the intellectual property issues that may need to be addressed such as trademarks.

Even a small company can make a contribution to help save the planet, while growing the company and the bottom line.

KEEPING YOU ON THE RIGHT TRACK

We can help your business and your personal finances stay on the right track.
Call us now and we'll arrange a meeting to discuss:

- Strategies to help your business improve its efficiency and profitability
- Reducing the burden of taxes on your business
- The tax issues that affect you and your family
- Maximising your wealth
- Retirement planning strategies for you and other family members

WATERFORD ACCOUNTANTS

PO BOX 90,
ADAMSTOWN NSW 2289

•
TEL (02) 49 56 1033
FAX (02) 49 56 3215

•
E-MAIL
info@waterfordaccountants.com.au

•
WEBSITE
www.waterfordaccountants.com.au

•
PRINCIPAL / DIRECTOR
Chris Catalovski

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Accounting,
Business planning,
Taxation,
Medical Professionals

4TH QUARTER 2008

Go green and profit

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FBT benefits curtailed

Changes announced by the Treasurer in the May budget that tighten the fringe benefits tax (FBT) exemption for certain work-related items (including laptop computers, personal digital assistants and tools of trade) have now become law.

The rules affecting laptop computers come under the FBT exemption for work-related items such as mobile phones, calculators, personal digital assistants and tools. Under the old rules, employees could have as many of these items as they wanted with no FBT to be paid by the employer as long as the items were used primarily for work. Laptops were treated differently: employees were limited to one a year and there was no work test.

The new rules mean that the FBT exemption will be restricted to one work related item, that has "substantially identical function" in each FBT year. Where two or more eligible items used by the employee are considered to have substantially the same function, one of

those items will not be eligible for FBT exemption. This presents a potential risk for those using electronic devices that operate with multiple functions, such as a mobile phone and PDA.

Under the old rules, employees could use salary sacrifice to get these items exempt from FBT and have also been able to claim depreciation on them - providing a double benefit.

New rules will also deny employees depreciation deductions for eligible work-related items that are exempt from FBT. For such items, employees will no longer be able to claim depreciation deductions.



Some benefits remain

Whilst benefits available are reducing, it's not all bad news. There are a number of work benefits exempt from fringe benefits tax remaining. These include:

- **Relocation costs** - This includes the cost of travel to a new workplace, accident insurance and the cost of accommodation and meals during the journey.
- **Work-related health care** - Health care benefits must be available to all employees.
- **Taxi travel** - Travel must either begin or end at the employee's place of work.
- **Loans** - Interest free loans are subject to the "otherwise deductible" rule
- **Membership fees** - These include subscription to a trade or professional journal, entitlement to use a corporate credit card or to use an airport lounge.
- **Car parking** - Benefits may be exempt if parking is on the employer's premises.

Tax office focuses on the cash economy

When the economy slows, temptation to reduce or avoid paying taxes increases. The cash economy has been operating for many years, however, changes to technology have now enabled the Australian Taxation Office to place it within its sights.

The Commissioner of Taxation recently outlined the ATO's Compliance Program for the next twelve months, highlighting a continued focus on the cash economy.

Businesses who fail to record and report cash transactions cheat the community and place an unfair burden on the majority of businesses who are doing the right thing. We may see evidence of involvement in the cash economy when taxpayers report unrealistic business income, or have lifestyles that appear to be unrealistically supported by their reported income.

The strategies used by the Australian Tax Office to investigate business suspected of operating under the cash economy include:

- 1. Working with trade associations to establish benchmarks** - Benchmarks enable businesses to assess their own situation and adjust reported income where necessary. They also provide the Tax Office with valuable information to identify those falling outside of the normal operations.
- 2. Cross-checking between different agencies and organisations** - Utilising information from Centrelink, the Child Support Agency, state fair trading agencies, insurance providers, shopping centre operators, product suppliers and the community to help identify unreported income.
- 3. Reviewing records of luxury goods purchases such as cars and boats** - Evidence of purchases are used to identify people with lifestyles not readily supported by their reported income.

As part of their strategy, the Tax Office is increasing direct contact with businesses that have high volumes of cash transactions. The letters give advice about the obligations of such businesses and about the importance of proper record keeping. The Tax Office anticipates contacting around 50,000 taxpayers over the next 12 months this way.



Surviving the cash flow crunch

A day rarely goes by without a news story about the struggling economy. Good business and proper financial planning are important but, more so in an economic downturn. Here are some steps that can be implemented to ensure that your business is protected during these unpredictable times.

1. Do a cash flow budget – The first step to improving cash flow management is to be familiar with your business balance sheet. The error many people make is to focus on their business' profit and loss statements and forget everything else. This is a potentially dangerous mistake because whilst profit and loss statements reveal a great deal about margins, balance sheets reveal critical information about cash and liquidity.

2. Establish credit terms wisely – The need to extend credit to customers is a fact of life for most businesses, but it is important to set clear limits. Business owners should become familiar with the cash flow consequences of allowing customers to extend their payment terms. At the same time, there are positive cash flow effects of reducing payment periods of your customers.

3. Keep on marketing – As budgets get tightened, many businesses cut back on expenses and often marketing is the first thing to go. In tough times, the market becomes more competitive, increasing the need to become more vigorous with marketing activities.

4. Manage debtors – Make sure that your business has a clear policy for approving credit and collecting debts and that customers are aware of it. Most importantly, enforce it. Pursue outstanding debts with letters and phone calls. Be fair but firm – the customer



you work with will remain a loyal one and work with you when the economy bounces back.

5. Invoice promptly – Ensure invoices are sent out in a timely and accurate manner. Check customer details to prevent unnecessary delays.

6. Monitor cash flow – Be wary of cash flow patches that may be coming and plan accordingly. Don't forget about the seasons of your business. Equally, avoid funding major purchases from your business' working capital unless you are sure you have the cash to cover it.

6. Use finance products wisely – Overdrafts, premium funding, lease facilities and cash flow funding products can all be excellent tools to help match a business' cash supply with planned outlays if used appropriately. A business credit card can be a good way to manage a short term cash flow squeeze.

7. Maintain client relations – It's difficult for businesses to attract new clients during an economic downturn. Therefore, it is important to keep your client base in order to stay afloat. Provide your clients

with incentives such as loyalty programs to maintain regular contact. Measures such as these will ensure that your business survives during these tough times.

8. Think twice before lowering the price – In order to stimulate your business during difficult times, it may be tempting to lower prices. However, you will eventually be forced to increase these prices to cover the inflated costs associated with a recession. Keep in mind too, that your suppliers may raise their prices as well - so try and negotiate a long-term discount with them.

9. Keep your valuable employees – As a slowing economy forces businesses to retrench workers, it is important to maintain a positive morale among your staff. Keep in mind, that with every downturn, there are opportunities to invest in developing further skills of your staff. In the end, it is their strengths and experience that will eventually carry the business through this tough time.

10. Think long term – Whilst you may be focusing on immediate cash flow issues that are impacting your business, don't lose sight of the big picture. Apart from helping you to avoid decisions that might be beneficial in the short term, but detrimental in the long run, some long term planning may just keep you mentally prepared to overcome some of the obstacles that you may face.

11. Don't panic and get advice – Most importantly, despite the recent downturn, the change is part of an economic cycle. Things will change and the most important action is to remain focused to ensure that your business is poised to take advantage of the upturn when it takes place. If in the short term things don't go to plan and your business is at risk, seek advice without delay.



Directors beware of tough times

When things get tough, directors of family companies may be tempted to delay payment of a tax debt. But that's dangerous, as directors may be personally liable for company tax debts.

Directors of family companies that run a business should keep in mind their duties as directors.

As the economy slows and cash flow tightens, some business owners may "throw caution to the wind" in relation to making their tax payments (such as pay-as-you-go, or PAYG, withholding payments) on time.

Taxation laws provides that a director may become personally liable for unpaid company taxation liabilities. The Tax Commissioner has recently highlighted this point as an important part of the ATO's Compliance Program.

Directors are required to pay the total outstanding PAYG on time or ensure the company has done one of three things:

1. Entered into a payment arrangement with the ATO.
2. Placed under voluntary administration.
3. Appointed a liquidator.

Failure to do one of these three things may result in each director automatically incurring a penalty equal to the company's outstanding PAYG withholding liability.

The ATO does not issue penalty notices without consideration. Whilst they may be thought of as a final warning, there may still be time to act promptly to avoid the penalties, but that time is limited.

Company directors should not delay in responding to a director's penalty notice. If you receive such a notice please contact our office immediately.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.greenbiz.com

Green Biz is a leading online news and information resource on how to align environmental responsibility with business success.

www.searchenginewatch.com

Search Engine Watch provides tips and information about searching the web, analysis of the search engine industry and help for website owners trying to improve their ability to be found in search engines.

REMINDERS FOR YOUR DIARY

NOVEMBER

- 11 Activity Statements - Quarter 1 (July – September 2008) Final date for electronic lodgment and payment.
- 21 October 2008 Monthly Activity Statements: Final date for lodgment and payment.
- 28 Superannuation guarantee charge statement – quarterly (if required contributions were not made by the due date) for quarter 1 2008-09 (1 July – 30 September).

DECEMBER

- 1 Income Tax - Income tax payment due date for companies and superannuation funds that were taxable large/medium business clients in the immediate prior year.
- 1 Income Tax - Income tax payment due date for companies and superannuation funds that were required to lodge by 31 October 2008.
- 1 Payment of income tax for superannuation funds where one or more prior-year income tax returns are outstanding as at 30 June 2008. (Lodgment of return was due 31 October 2008).
- 21 November 2008 monthly activity statements: Final date for lodgment and payment.

JANUARY

- 15 Income Tax - Due date for lodgment of income tax returns for companies, superannuation funds & trusts that were taxable large/medium business clients in the prior year and are not required to lodge earlier.
- 21 December 2008 Monthly Activity Statements: Final date for lodgment and payment.
- 21 Quarter 2 (October – December 2008) consolidated instalment activity statements: Final date for lodgment and payment by a head company of a consolidated group.
- 21 Quarter 2 (October – December 2008) activity statements containing a monthly GST obligation: Final date for lodgment and payment.
- 28 Last day for superannuation guarantee contributions to be made to a superannuation provider for Quarter 2 2008-09 (1 October – 31 December).

A Great Read

Click: What Millions of People Are Doing Online and Why it Matters

Author: Bill Tancer

How does the quick adoption of technology affect business success. How do time and money affect the gender of visitors to online dating sites? And how is the Internet itself affecting the way we experience the world? In Click, Bill Tancer takes us behind the scenes into the massive database of online intelligence to reveal the naked truth about how the way we navigate the Web reveals about who we are.

As online directories replace the yellow pages, search engines replace traditional research, and news sites replace newsprint, we are in an age in which we've come to rely tremendously on the Internet-leaving behind a trail of information about ourselves as a culture and the direction in which we are headed. With surprising and practical insight, Tancer demonstrates how the Internet is changing the way we absorb information and how understanding that change can be used to our advantage in business and in life. Click analyzes the new generation of consumerism in a way no other book has before, showing how we use the Internet, and how those trends provide a wealth of market research nearly as vast as the Internet itself. Understanding how we change is integral to our success. After all, we are what we click.

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.