

## Employers in limbo over promised changes to late super payment charge

Senator Sherry, the new Minister for Superannuation, has committed to removing the double payment burden in the super guarantee (SG) charge.

Currently, employers who fall behind on their quarterly superannuation guarantee obligations are liable for the SG charge. The SG charge generally includes the amount of the late contribution, even where the employer has paid the amount into a superannuation fund, albeit late. In other words, employers are often paying their SG obligations twice under this penalty system.

The previous Government has announced a change to the SG charge but the change was not introduced into Parliament prior to the election lock down, leaving employers caught by the double payment in limbo.

The proposed amendments would enable employers to offset all superannuation contributions paid late to a super fund on behalf of an employee against a superannuation guarantee charge assessment for that employee. Currently, an employer can only elect to offset late superannuation contributions paid to a fund if they were made within one month after the due date.

Senator Sherry's office has confirmed the Minister's support for the legislation stating that it is "listed high as a priority on the draft legislative program." His office could not confirm when the draft legislation would be available or when it is likely to be introduced to Parliament. The Senator's office also could not comment on the likely retrospectivity or otherwise of the amending legislation or the ability for employers who are currently burdened by the double payment to claim an offset.

For employers, Senator Sherry's support for the legislation is a welcome move. However, employers currently facing a double superannuation payment under the SG charge have no alternative but to pay the charge. Until the legislation passes Parliament and receives Royal Assent the Commissioner has no discretion to remove or reduce the double payment burden.

All of the great leaders have had one characteristic in common: it was the willingness to confront unequivocally the major anxiety of their people in their time. This, and not much else, is the essence of leadership.

*John Kenneth Galbraith*

## The debt dilemma

In the movie *Lions for Lambs*, the character of Professor Stephen Malley - played by Robert Redford - makes the point that when you are young, the decisions you make affect you before you realise that you have made a decision at all. This is particularly true when it comes to debt.

In the movie, the point is that many people move through a cycle of education to a job, family, a mortgage and other commitments. In other words, debt is the deciding factor and dictates what they can and can't do. Once committed, there is very little room left to pursue anything other than the 'path most travelled'. Except for the highly adventurous, debt reduces the ability to take on risk and minimises the potential for reward.

Given the impact that debt has on our lives, it's interesting that decisions about our level and type of debt (and on the flip side our investment and growth decisions) are often the last remaining item on our 'to do list'.

The recently released Annual Report from the Insolvency and Trustee Service of Australia (ITSA) should be a wake-up call for all those whose enthusiasm for taking control of their financial future is as short lived as a New Year's resolution.

Personal insolvency levels continue to be at record highs with a 16.9 per cent increase in insolvency administrations last financial year. Credit cards were responsible for 27 per cent of all personal bankruptcies. Nearly 20 per cent of all bankrupts were over the age of 54, breaking the myth that it's just the young and careless who are getting themselves into financial difficulty.

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## February cash flow warning

Every year, we remind clients that February is traditionally the 'cash flow crisis' month. This February, depending on your industry, it could be even worse.

Personal debt is at record highs, the cost of living has gone up and another interest rate rise is coming. On top of this, February is BAS month for all quarterly reporting entities. While most businesses appreciate the extra time to complete their December accounts and pay their quarterly BAS, it coincides with what is often a poor cash flow month for business, leaving many struggling to pay.

The February cash squeeze will affect almost every business. Those with reasonable levels of liquidity and cash reserves will manage it without too much pressure; but these businesses represent no more than 20 percent of the SME population. For the rest, the impact of the squeeze will range from going through a period of cash distress and in the worst cases, liquidation.

All of this means that your debtors are picking and choosing who they are going to pay. Managing this cash crunch should be a three part strategy.

### 1. Planning

Have a look at your short term cash flow commitments. By now you should know how much your BAS commitment is and what other major payments will be due before month end. You also need to complete a realistic assessment of what funds you expect to collect during the month. With this information you can calculate how close to the line you will be.

### 2. Collect your debtors as soon as possible

As the month progresses collections will become tougher as business conserves cash to meet the end of month tax commitment. For businesses under cash flow pressure, they are more likely to pay the creditors who are chasing them than the ones who are silent.

The first step in debtor management is to have a documented credit policy. The credit policy should include trading terms and a follow up procedure when payment has not been received within agreed trading terms. A simple rule is to have some form of follow up every 7 days. If your trading terms are 14 days from the end of the month then the follow up procedure starts at 21 days after the end of the month.

### 3. Manage your expenditure

Don't over commit for the month, manage your stock levels and only use working capital for larger capital expenditure items if you are certain that you can manage all of your working capital demands.

Managing cash flow problems is primarily about knowing the rules and ensuring that you have discipline within your business to stay within these rules.

*If we can assist you with your cashflow planning, or if you are experiencing difficulty, contact us today.*

## The debt dilemma *continued*

Interestingly, Australians are entering into debt or insolvency agreements to avoid bankruptcy at a rate faster than we have ever seen before.

Well managed, debt is an exceptional tool. Managed badly, debt is a burden that dictates and limits the future.

With another few interest rate rises on the horizon, if you have not reviewed the structure and type of debt for some time, now is the time to do it.

Most of us are somewhere on the debt cycle trying to get the balance right, often without knowing just how much is the right amount of debt.

*If you would like assistance to review and manage your debt position, or advise on the likely financial, structural and tax impact of major investments, please contact us today.*

PS: *Lions for Lambs* is an excellent movie if you are looking for a conversation starter. Unfortunately, the plot fails to live up to the potential of the excellent cast.