

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



ATO helps with tax debts

The ATO has announced new measures to help small businesses that are struggling to manage their tax debts in the current economic climate.

The Commissioner emphasised need for the ATO to provide an empathetic approach to individuals and viable businesses that may be in financial difficulties. The approach will be for the ATO to differentiate between businesses likely to remain viable, if given reasonable latitude, and those that show little prospect of surviving the present downturn.

Interest-free payments

Businesses with an annual turnover of less than \$2 million with an activity statement debt can apply to the ATO for a GIC-free payment arrangement until 30 June 2010.

The Commissioner has confirmed that the ATO recognises the current financial pressures on small businesses. As a result, it does not want the GIC (General Interest Charge) to impact a business' ability to meet its tax and superannuation obligations and ultimately lead to the insolvency of that business.

For these businesses, payment arrangements (activity statement and income tax) negotiated from 1 June 2009, until 30 June 2010, will have GIC remitted in full for the period the payment arrangement is maintained (up to a maximum of 12 months).

Deferral of activity statement liabilities

Small businesses can also ask the ATO for a deferral of payment on their next activity statement. Businesses with short term cash flow issues that pay quarterly and annually may be granted a deferral of up to two months. Businesses that pay monthly are eligible for a deferral up to one month. Activity statements still have to be lodged on time, but no interest will apply for the period of the deferral.

Other measures

The ATO has been encouraging businesses to vary their Pay As You Go (PAYG) tax instalments in line with any likely downward financial performance. The Commissioner has confirmed that business owners can be confident that the variation shortfall penalty will not be imposed if reasonable steps are taken to get the variation right.

A practical approach

The Commissioner said the ATO is seeking to provide the commercial flexibility that supports a business' best chance of survival. The offer is genuine and based on commercial considerations. However, the Commissioner expects businesses to maintain any concessional payment arrangements as negotiated.

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Taxation obligations for directors

With the current state of the economy, directors may need to review their understanding of obligations. In addition to the obligations imposed on directors under common law and the Corporations Act, the Australian Taxation Law imposes director duties and obligations for which there are significant consequences in the case of a breach.



A 'director' refers to any person with or without formal appointment, who fulfills the responsibilities associated with the position, or to whom the managing body directly reports (e.g. a shadow director).

While directors or potential directors may be aware of their general obligations upon attaining the position, less is known about the risks involved under the Australian Taxation Law.

Income Tax Assessment Act 1936

Division 9 applies to specific taxes, including withholding payments (e.g. PAYG) and payments arising due to personal services income.

The purpose of this section of the act is to obligate directors of a company to ensure that it meets its tax requirements or, where it cannot do so, be placed in voluntary administration or liquidation.

Division 9 requires that where a company has made a deduction or withheld an amount that has a due date, the directors must ensure that the company does one of the following:

1. Complies with its obligations in relation to paying the amount by the due date
2. Enters into a payment arrangement with the Commissioner
3. Appoints an administrator for the company
4. Winds up the company according to the Corporations Act

Where a director fails to comply, the Commissioner may impose a personal penalty equal to the outstanding liability.

Tax Administration Act

According to the Taxation Administration Act, if a company commits an offence, (e.g. failing to lodge an income tax return or to report and remit PAYG), a director is deemed to have personally committed the offence and may be liable to pay a fine and any outstanding tax liability that has accrued as a result of the tax offence.

Criminal Code

Directors may also be prosecuted under the criminal code. For instance, where there has been a deliberate breach of certain taxation offences, such as entering into an arrangement to avoid paying income tax. Penalties can include fines, preclusion from holding the position and potential imprisonment.

Conclusion

Individuals considering appointment as a director, particularly in the case of an established company, should be mindful of the full extent of the obligations they are undertaking. It is advisable to review the company's tax liabilities and outstanding tax obligations prior to accepting the position. Directors should also routinely undertake enquiries into the tax affairs of their company to ensure its compliance with relevant obligations.

Respect the environment

Businesses are discovering that being environmentally friendly is not only good for the world, but it's also beneficial for the bottom line. Going green saves money and also boosts employee morale.

Developing eco-friendly policies is often a simple matter of attitude and awareness rather than having to make major changes. Sometimes even simple solutions can make a significant difference. Here's how businesses can take a proactive approach to helping preserve the environment:

Reduce waste and pollution: Waste includes something you bought, couldn't or didn't sell, and now have to get rid of. You've been paying for resources you won't fully consume, whether it's manufacturing material, excess packaging or just a lot of trash. The simplest, most cost-efficient and environmentally-sound step is to reduce waste. Look around – what do you 'waste' that could be used?

Reduce energy use: If you can produce your products or services or run your operation with less energy consumption, then you've not only saved money, you're also helping the environment.



Encourage employees to walk, bike, or use public transportation: The biggest impact you may have on the environment occurs before anyone even arrives at the

office - driving to work. Find ways for employees to use alternative methods of transportation, and consider access to public transportation when you choose a location.

Buy environmentally friendly supplies and materials: This is one of the simplest things a business can do to help the environment, whether it means using recycled paper or finding eco-friendly sources of raw materials for your manufacturing process. Look for products that don't use animal testing. Get toner cartridges for printers and copiers refilled instead of throwing them out, and recycle old computers by donating them to local schools or nonprofit organisations.

Recycle: That is not just limited to manufacturing plants or operations. Every office discards rubbish bins full of recyclable paper, aluminium (soft drink cans) and plastic (water bottles). Work with your maintenance or cleaning service to ensure there are marked recycling bins throughout your office.

Social media for business networking



Social media is online content created by people using highly accessible and scalable publishing technologies. In the last few years, an array of new opportunities have appeared on the Internet in the form of social networking sites. An online social network service focuses on bringing together communities of people who share interests and/or activities, or who are interested in exploring the interests and activities of others.

These sites give business owners greater opportunities to spread the word about their companies. Many business owners feel overwhelmed with new technology and struggle to keep up. The first steps to working out whether or not social networking is a suitable strategy for a particular business is to understand the associated advantages and disadvantages.

Advantages:

- Connecting with a large number of potential clients
- Low cost of delivery
- Instant distribution of messages
- No need for an intermediary or contractor to do the marketing
- Advertising your business as an expert in a field.
- Staying at the top of the game by directly obtaining customer feedback.
- Projecting a modern, tech-savvy business image

Disadvantages:

- Time involved in creating and managing online profile
- Large number of non-converting wasteful leads

Managing an online social presence can be a full-time job – in fact, many companies employ people just to be doing that. In addition, with the range of choices available with such sites, it is important to work with the platform that is best suited to a particular business.

Twitter.

Twitter is the current favourite, allowing users to send very short messages (limited to 140 characters) known as 'tweets.' Twitter is expanding wildly, but a recent study suggests that the majority who start Twittering stop within a month. Despite this, Twitter's a good way to present your business to customers and prospects.

Facebook.

Facebook allows people to network in a relatively secure environment. Businesses can create fan pages or start or join groups related to specific interests. Because so many people are on Facebook, many businesses link their websites directly to their Facebook page.

LinkedIn.

LinkedIn differs to other social networking sites because it focuses on helping people connect for business rather than social purposes. Whilst it may not be as popular as some social networking sites, some businesses use it to search for other companies they wish to conduct deals with.

MySpace.

Once the number one social networking site, MySpace is suited to building support for certain types of businesses: it has a relatively large following amongst those in the entertainment industry.

YouTube.

Some businesses have discovered that YouTube is a great way to provide information to prospects and customers. Common ways in which YouTube is being used include promotional footage, customer testimonials, product information and video instruction manuals. One of the other benefits is that footage can also be embedded into your website.

Social networking looks like it is here to stay. Most businesses will need to know how to use it. There's a virtual world of business opportunities waiting for you out there - connect by just clicking in.

New definition of 'ordinary time earnings'

The ATO recently issued a new ruling on the definition of 'ordinary time earnings' and 'salary or wages' under the superannuation guarantee system. The final version represents a significant departure from the initial draft released in November 2008. The new ruling addresses some concerns raised by employers with the draft version, and also includes some new items in the superannuation contribution base.

Overview

The ATO's original draft ruling provided that overtime, paid parental leave and jury duty payments could be included in an employee's ordinary time earnings.

However, the final ruling states that overtime will not normally be included in ordinary time earnings. It also suggests that the Government plans to clarify the SG status of certain kinds of leave payments,

such as paid parental leave and jury duty payments. Lastly, it manages a position taken by the ATO in relation to payments in lieu of notice and Christmas bonuses, stating that both are to be included as ordinary time earnings.

The new ruling applies to payments made to employees from the first quarter of the financial year i.e. from 1st July 2009.

Implications for employers

Although the change of the ATO's position to include overtime differently is a positive outcome for employers, there are still several types of employee payments which will be included in ordinary time earnings from 1st July 2009 which were previously thought to be excluded from this category.

Employers should review existing employment arrangements to determine whether any additional superannuation contributions are required from the new financial year. Some employers may need to make changes to ensure their payroll systems are equipped to deal with



the changes. In addition, terms used in employment agreements may need to be reviewed and changed if necessary.

Finally, given that the ruling expressly excludes paid parental leave, it seems likely that these payments may continue to be excluded from ordinary time earnings. Employers should, however, be mindful that this may change and they should be ready to act once the government's clarification comes through.

Develop a new concept

Meeting needs is the basis of all business. It is easy to get caught up in the day to day operations of running a business and lose sight of ways to innovate and improve your business. Take time out to flesh out some new concepts and determine how your product or service can be newer or better than anyone else; Ideas should be strong in at least one of the following areas in order to truly be competitive:

Coming up with new offerings: This could be a new product, service, feature or technology.

Improving existing ones: This could be an improvement on an existing product or service encompassing more features, lower prices, greater reliability, faster speed, increased convenience, or enhanced technology.

Targeting an undeserved or new market. This includes market for which there is greater demand than competitors can

currently satisfy, an unserved location, or a small part of an overall market – a niche market – that hasn't yet been tapped. Sometimes markets become underserved when large companies abandon or neglect smaller portions of their existing customer base.

Using a new marketing or distribution system: New technologies, particularly the Internet, allows companies to reach customers more efficiently. This has opened up many new opportunities for businesses to provide products or services less expensively to a wider geographic area, with far more customised options.

Increased integration. This occurs when a product is both manufactured and sold by the same company, or when a company offers more services or products from one location. This is a great way to save overhead expenses.

Not all concepts have the same ease or cost of implementation. Make sure that any strategy to move forward is based on a full consideration made to cost versus benefit. Be realistic but creative.



A Great Read

Yes!: 50 Scientifically Proven Ways to Be Persuasive.

Author: Noah J. Goldstein, Steve J. Martin and Robert B. Cialdini
Free Press

This easy-to-read summary of the social psychological research on persuasion directs people on how to get to a 'yes.'

In *Yes*, three of the leading social scientists merge social psychology, pop culture and field research to demonstrate how the subtle addition, subtraction or substitution of a word, phrase, symbol or gesture can significantly influence consumer behaviour. Interspersing references to Britney Spears, the Smurfs and *Sex and the City* with more academic concepts such as loss aversion and the scarcity principle, the authors illustrate that the simple and surprising approaches that can hone a company's marketing strategies.

Clever chapters detail the attraction of the yellow Post-it, the tip-garnering capabilities of an after-dinner mint, how pointing out a product's weaknesses can increase its appeal, the powerful role of third-party testimonials, how doctors can convince patients to adopt healthier choices by prominently displaying academic credentials in their offices, and how modelling another person's actions can elicit a more generous response by strengthening a perceived bond. While *Yes!* has been written primarily for a marketing audience, this practical book has equal value and appeal for executives and salespeople.

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WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.clickz.com

ClickZ – News and information for the digital marketer. Excellent source of news and ideas for anyone looking to improve their internet marketing activity. Site includes material for web, email and social marketing.

www.brooksgroup.com

The Brooks Group – Sales and management. Commercial site that has a range of resources which are practical and can be used by a sales manager of a business of any size.

REMINDERS FOR YOUR DIARY

AUGUST

- 11 Quarter 4 (April - June 2009) activity statements: Final date for electronic lodgment & payment.
- 14 PAYG withholding: Final date for lodgment of the PAYG withholding payment summary annual report.
- 14 DASP data records that form part of the PAYG withholding payment summary annual report.
- 21 July 2009 monthly activity statements: Final date for lodgment & payment.
- 21 Final date for eligible monthly GST reporters to elect to report GST annually.
- 28 Superannuation guarantee charge statement - quarterly (NAT 9599) (if required contributions were not made by the due date) for quarter 4 (1 April - 30 June) to be lodged and paid to the Tax Office. The SGC is not tax deductible.

SEPTEMBER

- 21 August 2009 monthly activity statements: final date for lodgment and payment.

OCTOBER

- 21 September 2009 monthly activity statements: final date for lodgment and payment.
- 21 Annual PAYG instalment notice: final date for payment and, if using the rate method or varying the instalment amount, final date for lodgment.