

Sluggish economic scene

In the second month of the financial year, the economic scene is sluggish, with lower than normal economic growth, low inflation, no change in interest rates and, at this stage, no likely sign of interest rates going up for a while.

There are still major problems in certain business activities and locations around Australia. The key areas for small business operators to monitor are:

- Growth of the Economy (GDP – Growth Domestic Product)
- Inflation
- Interest Rates
- Currency Rates
- Government Policy

Whilst there has been some positive growth, it has not yet returned to the four per cent trend at which the economy has generally performed. It is likely to continue in this manner for the remainder of the financial year, unless there is a major wages breakout, which will significantly affect the inflation rate.

The Australian dollar is very high, especially compared to rates that were evident 4½ years ago, when the Australian dollar was 57 cents against the US dollar. The US dollar rate against Australian dollar is currently at \$1.05, which is good news for importers and Australians travelling overseas, but not for Australian exporters or the tourist industry relying on international tourists visiting Australia.

Cash flow management is still a high priority issue for SMEs. If you are preparing budgets for this financial year, it is a good idea to prepare three separate sets of budgets, comprising:

- most likely outcome
- most optimistic scenario, and
- most pessimistic scenario

If you'd benefit from our assistance in the preparation of your budgets and cash flow forecast, or for a review of your cash flow management procedures, please phone us on 02 6686 3000.



Budgeting and cash flow

We summarise some of the targets you need to bear in mind when preparing forecasts this financial year

We frequently write about establishing key targets for budgets and cash flow forecasts. Some of the other key items for consideration in the preparation of your business budget include:

- Cash flow items such as loan draw downs and repayments, new hire purchase contracts and existing repayments, new lease contracts and payments, income tax, drawings, dividends, capital expenditure, extra superannuation, property acquisition and asset sales
- Is it expected that your business will require increased working capital during the period covered by the cash flow forecast?
- Have you reviewed your obligations on any facility received from a bank or financial institution?
- A complete review of the effectiveness of your debtors' system.

Recent comments by the Australian Taxation Commissioner that small businesses are approximately \$9B in debt on Business Activity Statements highlights the importance of effective cash flow management for SMEs.

If you would like to have a discussion about the preparation of budgets and cash flow forecasts for your business, please contact us on 02 6686 3000.

Could the tax office be 'interested' in you?

Every financial year the ATO releases its 'hit list' or yearly compliance program. This year is no exception.

Some interesting observations can be drawn from this financial year's 'hit list' in regards to all levels of businesses. One of the big focuses of the program, across all levels of taxpayers, is the increase in third party data matching for work and business related deductions, omission of income both from Australian sources and foreign sources, Fringe Benefits Tax reporting and GST treatment of property transactions.

The ATO is also increasingly conducting more site visits to small/medium enterprise operators for the review of:

- GST Transactions
- Superannuation Registration
- Compliance with Taxation Laws
- Taxation Payments

The ATO is also checking:

- companies with loans to shareholders
- trustees' compliance with the requirements for written agreements and trust minutes for trustee resolutions made prior to 30 June 2012 (more information about this on Page 4), and
- comparing these minutes with the trust income tax returns lodged, along with the income tax returns of all beneficiaries of the trust

For self-managed superannuation funds (SMSF) in particular tax returns are a big issue. If the fund fails to lodge its tax return on time it breaches section 35D of the Superannuation Industry Supervision Act and risks losing its preferential tax status.

The same peculiarity of human nature that allows us to deny an impending crisis until it crashes down upon us is largely responsible for unmanaged tax debt. Many of the businesses that build tax debt without managing it fully expect that that next big contract or sale will get them out of trouble. There are currently 1.4 million debt cases with the ATO with a value of over \$14 billion. The ATO is increasingly shutting down businesses that fail their 'viability test' rather than debt managing them.

All in all, this updated program seems to be focusing on ensuring people are complying with more areas of the law, rather than simply Income Tax and GST, which has been the focus of the ATO for some time.

If you have any concerns about any aspect of your business relating to the ATO, please do not hesitate to contact us on 02 6686 3000.

What should taxpayers do?

The cost of being properly represented can be quite considerable depending on the time involved.

Individuals, Businesses and Self-Managed Superannuation Funds are at risk of being selected for a random audit or review, so it pays to:

- Have proper record keeping procedures, particularly regarding cash transactions
- Keep detailed records on large transactions that are not taxable e.g. transfers from overseas or sale of the family home
- **Invest in audit insurance** to insure you against the cost of your accountants, tax agents and bookkeepers putting together a case to support your position
- Contact your accountant for a preventative review sooner rather than later

Investigations are stressful and time consuming for business owners, especially with added pressure from the ATO.

The great thing about audit insurance is that it covers your professional fees so that we can act on your behalf, not cost you any money and dramatically minimise the stress if dealing with auditors.

For a full list of cover types and costs, go to the Collins Hume website collinshume.com.au/audit_insurance and click on **How much does it cost?**

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Identifying and making the most of government grants – simplifying the challenge

As businesses confront the challenges of the changing marketplace, we offer proactive assistance for small/medium enterprises to identify government grants suitable for them

There are many Australian and State government grants available for small/medium enterprises.

It is estimated that the total business grant market in Australia is in excess of \$5 billion annually, yet many business owners admit that they do not know much about government grants.

Trying to tap into this funding and cutting down the red-tape can be the cause of many headaches for business owners; first trying to identify grants for which they may be eligible and then preparing the relevant application can often be a nightmare. But Collins Hume is here to help.

Currently, the Australian Government's Enterprise Connect Program has grant funds available for eligible businesses operating in Manufacturing, Tourism and Creative Industries of up to \$20,000. These industries encompass a wide variety of business types and business owners should seek expert advice when reviewing their eligibility.

This federal government initiative offers advice and support to small and medium businesses to develop skills, tools and knowledge to improve business performance.

The Tailored Advisory Service grant of \$20,000 offered by Enterprise Connect will assist businesses to fund activities such as Strategic Business Planning, Business Coaching and Mentoring, Financial Management, Marketing, Quality Assurance, Risk Management and Human Resources to name a few.

Chances are, you are already doing some of these things (or need to) so why not let the Government help support your efforts? With grant activities and eligibility widely varied, speak with us today.

Review and determine your grant eligibility!

In being a proactive business advisory firm, Collins Hume assists small/medium enterprises in reviewing their eligibility for any government grant, so call us today on 02 6686 3000 for an obligation free grant review to ensure you don't miss out on any available funding.

Business owners want to not only survive, but to grow and thrive

Increasingly business owners seek our help to improve their performance and develop plans for the future

Research tells us most businesses are performing well below benchmark with the owners not maximising their investment in their business. They need to increase their profit and value to ensure they are well positioned when it is time to exit.

Collins Hume works with business owners helping them secure their future using our Value Improvement Benchmarking Advice (**viba**).

Our **viba** process is a staged advice model that helps us to help you understand your needs, business value and value gap today – understanding how to grow value and improve risk so you are better positioned to maximise your wealth when it is time to exit your business.

As accredited Value Improvement Benchmarking Advisers, Collins Hume is able to help you to increase your profit and business value, therefore helping you to secure your future. We provide quality, real time and comparable business valuation, improvement and performance benchmarking information.

Call us on 02 6686 3000 to find out how we can help you secure your future.

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Obligations and responsibilities for SMSF Trustees

The ATO introduced measures on 7 August 2012 which are part of the suite of measures announced within the Stronger Super legislation

These measures are intended to address potential risks and strengthen the regulatory framework in which self-managed super funds (SMSFs) operate. In short, these measures mean that you, as Trustees of an SMSF, are required to:

- conduct a review of the fund's investment strategy on a regular basis
- consider insurance for fund members as part of the fund's investment strategy
- value the fund's assets at market value for the purposes of preparing financial accounts and statements

All these measures are prescribed operating standards for the fund, which means you must ensure they are complied with at all times, and the ATO has the power to enforce compliance.

What this means for Trustees

During each income year from 2012-13, you should review your fund's investment strategy to ensure that it continues to reflect the purpose and circumstances of your fund and its members.

These reviews should occur on a regular basis and could be evidenced by documenting decisions made in the minutes of meetings held during the income year.

You should also consider insurance for members.

How Collins Hume can help you

We can assist you with a review of your current investment strategy to ensure that it continues to meet the needs of your changing circumstances and life-stages and, where appropriate, we can advise on whether you should be considering insurance for the fund members as part of that investment strategy.

We can also provide you with guidance relating to meeting your compliance requirements to value your fund assets at market value for the 2012-13 year accounts and statements.

One of our Self-Managed Super Fund Specialists would be happy to assist you with these or any other SMSF compliance issues. Please call us 02 6686 3000 to make an appointment.



Quote of the month

By Yvonne Sawtell of
Mick Sawtell Electrical

We have been Collins Hume clients for approximately four years and rely on their expertise for business, financial and tax matters. They are basically acting as our back bone for running the business.

Collins Hume really supported us during a crucial time in our business; thanks to the forward planning Collins Hume assisted us with, our business remained robust during a period of major change. Collins Hume knew our business well enough to do this and now works with us to ensure everything is running as it should.

We have a lot of faith in Collins Hume; they are across every aspect of our business, are responsive and have set up interim reporting to make sure we're on track throughout the year.

Today our business is going well and we're making good progress. We have more continuity planning in mind and will make sure that Collins Hume is part of that process.

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Free seminar 'Introduction to Work Health & Safety' 29 August in Ballina

Work health and safety (WHS) is one of the most complex and vast areas of regulation in the business arena.

New WHS laws replaced the occupational health and safety (OHS) laws in NSW on 1 January 2012. These new laws provide greater consistency, certainty and clarity across Australia making it easier to understand your workplace health and safety duties. Businesses and volunteer organisations that operate over several states will be able to initiate nationwide safety policies and procedures.

Whilst a national WHS scheme provides numerous benefits, for many, the prospect of wading through the legislation and understanding the responsibilities can be daunting.

The good news is that there is an easier way to understand and address your WHS responsibilities

At our FREE seminar Introduction to Work Health & Safety on 29 August in Ballina, we have arranged for local WorkCover WHS District Coordinator Paul Irwin to provide you with information about the WHS changes so you can understand your responsibilities:

- An introduction to WHS legislation
- Your health and safety duties
- Consultation, representation and participation
- Risk management

Introduction to Work Health & Safety is designed to provide a broad overview of WHS legislation and the steps to ensure that your business is compliant – already growing in interest with business owners who want to secure the wellbeing of their employees and the sustainability of their businesses.

RSVP by email to wendy.gleeson@collinshume.com.au confirming the names of each attendee and your industry type for registration and planning purposes.

Whilst an initially complex area, this presentation will make WHS simpler to understand and, most importantly, give you control. Phone us on 02 6686 3000 if you have any queries or wish to discuss your own WHS. We look forward to having you join us.

Cast your vote for us in the BCCI People's Choice awards

It's BCCI Business Awards time again! Please vote for Collins Hume as your favourite business to nominate us for a People's Choice Business of the Year. Simply add your vote to our business on Ballina Chamber of Commerce's page at www.facebook.com/pages/Ballina-Chamber-of-Commerce/129874921115. Please note one vote per business per person. Voting closes on Friday 7 September 2012.



Surf the Wave to Success Oct 2012

Imagine how much better FY13 might be if you identified specific business improvement strategies to set your business on an upward trajectory this financial year?

Peter Fowler, one of Australia's premier Business Strategists and nationally recognised CPA Young Business Leader will lend his personalised experience and show you how this October.

With the conference potentially being tax deductible, find all the information you need to organise your place at collinshume.com.au/services/events. To preview Resort Latitude Zero and the island visit resortlatitudezero.com.

Places are limited - to guarantee yours email Wendy or Peter at wendy.gleeson@collinshume.com.au or peter.fowler@collinshume.com.au or phone us on 02 6686 3000 to book.

The material and contents provided in The Strategist are informative in nature. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, seek professional advice from Collins Hume.