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Collins Hume

ACCOUNTANTS
BUSINESS ADVISERS

More on what 2014 is likely to bring

There is still a lot of uncertainty in business circles all around Australia as to what is going to happen during 2014.

We probably won't know the key political decisions of the Abbott government until the Federal Budget is delivered in May. At its February 2014 meeting, the Reserve Bank decided to keep interest rates at 2.5%; the general expectations are that interest rates will not go any lower and will start to rise later in the year.

The Personal Property Securities Act (PPSA) became fully operational on 31 January 2014. Unfortunately, there was very little official promotion or education for businesses on how the Personal Property Securities Register (PPSR) will operate. This has already proved very costly for some businesses which have lost out in court cases, mainly against liquidators and receivers. In this issue, we have included more about the PPSR. If you are uncertain of what impact this new legislation will make on your business, please contact us so that a full review can be undertaken of your circumstances, and an appropriate system developed to assist you in the decisions that will need to be made on whether to register a security interest on the PPSR.

It is interesting to evaluate economists' forecasts on what might occur in 2014. In summary, economists are arguing that the government should substantially increase the GST charge to around 18% as a means of reducing the government's deficit. It will be interesting to see what happens in the May Budget. Economic forecasts for the 2014 calendar year focuses around:

- Real economic growth – 3.2%
- CPI growth and inflation – 2.9%
- Federal budget deficit to be around $30B
- Reserve Bank of Australia Cash Rate – 3%
- Exchange rate – US$/AUS$ around .85c

As always, cash flow management will be very important. This includes the monitoring of debtors, stock, work in progress and abiding by bank covenants on any loans or financing which have been negotiated with banks and other financial institutions. Now is a great time to be preparing business plans and budgets for 2014. If you would like our assistance on any aspect of your business deliberation, please contact us on 02 6686 3000.

Some thoughts on planning

February and March are great times to look at a business plan for the financial year.

Planning a business is fundamental to its success. Why not sit down and give yourself an hour to think about yours?

The first place to start is to review 2013. What was a success? List those items.

Now list the activities that didn't go as well as you'd hoped. What did you learn from the successes and the unsuccessful items? Have you reviewed your market? Is it the same as in 2013? Do you need to move or expand to a different location? Are your market demographics changing? Do you understand who your potential customers are? What feedback have you received from customers? Are you happy with your customers? Have you asked your customers about the service you provide?

What does your team think? Have you had a 'think tank' meeting with them to examine the results from 2013? What worked and what didn't, and what do you envisage implementing in 2014? Have you developed a social media strategy? Are you using it effectively?

If you need our assistance on the development of a business plan for 2014, contact us on 02 6686 3000.

PPSR: now fully operational

The Personal Property Securities Act (PPSA) became fully operational on 31 January 2014, as did the Personal Property Securities Register (PPSR).

The PPSA allows a 'security interest' in personal property to be registered and searched by anyone at any time. '**Personal property' applies to everything, except land and buildings. Whilst there is no compulsion to register any asset with the PPSR, if you don't register assets to which the legislation has deemed a requirement, you could end up losing those assets** (even though you paid for those assets) to someone else who has a superior claim to you, because they have registered in accordance with the PPSA. That business will then be lawfully able to sell the asset for which you have paid and utilise proceeds, as contribution towards payments to secured creditors.

Virtually every business will be affected by this legislation. If you have not seen your commercial solicitor for advice on your 'Terms of Trade' and the 'Retention of Title' clauses ('Romalpa Clauses') included within your tax invoices, there is a strong possibility that you are not complying with the PPSA legislation. As your accountants, we are able to assist you in implementing appropriate systems for the management of transactions that should be considered for registering the security interests on the PPSR.

There have been major legal decisions, which have cost people, who thought they owned the assets but had not registered on the PPSR during the two-year transitional period. To their utmost dismay, they have found that the law didn't recognise their ownership. In the case of WOW Sight & Sound, the business went into financial difficulties and many of the suppliers, who had supplied stock and consignment stock to WOW Sight & Sound stores, did not register their interest in the stock they supplied with the Personal Property Securities Register. The liquidator was able to register the stock items that were in the premises at the time of their appointment, thus the 'owners' of the stock did not have a priority. As a result, the suppliers lost a large amount of money.

In the QES case, QES placed plant and equipment on someone else's property, which went into liquidation. QES did not register their security interest on the PPSR, and the liquidator was able to claim that plant and equipment, and sell it for the benefit of the secured creditor.

If you have any questions on how the legislation affects your business, or to check if you business is affected in whatever way, please contact us on 02 6686 3000.

Government grants

Small business assistance

Research and Development (R&D) registration required by 30 April 2014. An extra tax rebate is available for a company that incurred more than $20,000 on R&D activities for the year ended 30 June 2013. To claim a rebate, you must register with AusIndustry prior to 30 April 2014 or the date of lodgement of the company's income tax return, whichever is the earlier. If you are conducting ongoing R&D activities, you still must register by 30 April each year.

The R&D Tax Rebate for companies with turnovers under $20M is 45% of the eligible research and development expenditure which can include salaries of team members who have been legitimately engaged in research and development project activities. If the company is trading at a loss, you can be paid the R&D Tax Rebate as a cash amount within 30 days of lodgement of the company's income tax return.

In the past six months, we have assisted our clients to secure over $400,000 in government funding to help them improve and grow their businesses!

If you would like assistance completing the Research and Development Application Form and lodgement with AusIndustry, contact us on 02 6686 3000.

Turning financial upheaval into positive retirement planning outcomes

The only constant in life is change. So when one of Collins Hume's long-standing clients experienced some unexpected drama in her normally low-key financial affairs, we were there to help.

"I went through a major financial upheaval which, at the time, was very traumatic. As I had no one to turn to I approached Peter Fowler for some advice. I quickly learned that Collins Hume were more than just accountants."

"Peter took a snapshot of my financial situation at that time and asked where I wanted to be in the future. He then developed a strategy that met my financial objectives then and in the future."

"Peter reviewed my affairs holistically and highlighted the key points of my particular situation. He knew where I was coming from having dealt with me for years so knew my capacity and how we could manage and save tax. He then developed a plan covering the next few years."

Collins Hume created a self-managed super fund and moved a large portion of her assets into the fund to create a tax-free income stream.

"Being able to balance my semi-retirement with a farm, investment properties and a share portfolio through a SMSF ties together all the different facets of my finances which are now working better together collectively than independently."

"Up until then I had never given myself time to think how things might work together."

"Now my affairs are being handled to my advantage for my future," she says. "It was Peter who got me back on track with his perception, logic and ability to work things through rationally, for which I'm ever so grateful."

"As a result of Peter's astute accountancy skills I now have more money to provide for my retirement," she says. "Working with Peter is such an advantage; he is forward thinking and very perceptive not just in numbers terms, but also about your life and where you want to go."

These days our client's financial affairs are ticking along nicely with a nest egg in super and earnings that are tax free for life.

Collins Hume ensures that her super fund stays compliant and constantly reviews her financial position so she can retire in the near future.

"Collins Hume are progressive in their approach and keep me abreast of any changes. They communicate well so I feel reassured about how my investments are going."

"Being semi-retired I know the parameters of my super, however we'll be doing another plan when I reach 60 when the terms of my pension changes."

"Collins Hume's reporting is thorough and yet their service is very personalised. I can ring at the drop of a hat and get their help straight away."

"Peter lives in the real world – he starts with a topline financial summary whenever we meet, then offers more detail if we need to dig deeper."

"The whole team works well together - each person knows what the other is doing when it comes to my affairs. Dealing with someone to whom Peter has delegated a task is as good as talking with him directly."

"It's comforting to know they're thinking of me and to receive the follow up they provide, especially from Joseph on super, Leanne on GST, Renee, Kylie and my client service coordinator Clare."

"I appreciate everything they do to keep me organised."

Business entities: Unit Trusts

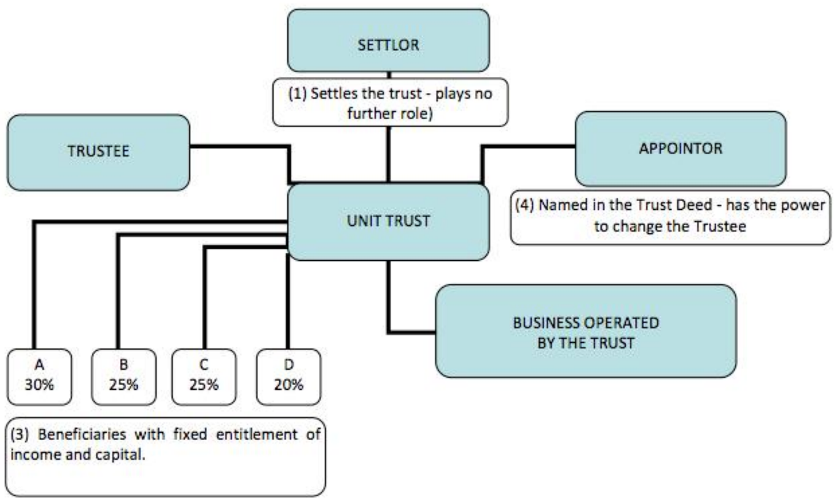
A 'unit trust' is different to a discretionary trust. Many small business operators use unit trusts for their business operations.

In a unit trust, a beneficiary has a fixed interest with a designated number of units similar to a partnership. The beneficiary is called a 'unit holder', and is entitled to a distribution of income, in accordance with the percentage of units held in the unit trust. It is not unusual in a unit trust for there to have been a payment made for units allocated. A unit trust is normally used when there is more than one family or group of people involved in a business operation.

The unit trust needs a trustee. A trustee can be a company or, at least, two individuals. The trustee is responsible for all day-to-day activities of the trust. The activities of the trust are governed by the trust deed. A 'discretionary trust' is maintained by the trustee. This records the name, address and number of units owned by each unit holder.

A unit trust can operate virtually any type of business. In normal circumstances the unit trust does not pay income tax. The trustee must ensure there has been a distribution of the taxable income to the unit holders, in accordance with the percentage they hold in the unit trust. If the trustee does not make a distribution, then the trust has to pay income tax at the penalty rate of 46.5%.

There are special laws relating to unit trust losses and bad debts incurred by a unit trust. An example of a unit trust flow chart:



If you have any questions on any aspect of the operations of a unit trust, please do not hesitate to contact Collins Hume on 02 6686 3000.

Contractor vs Employee

Across the responsibilities to avoid [hefty super guarantee (SG) liabilities](#)?

Did you know that a person who receives a payment for work under a contract wholly or principally for labour is an employee for SG purposes? If not, a letter from the ATO should not be your first realisation about any potential contractor vs employee issues.

As a business owner, there are essential actions you need to take to protect yourself from significant superannuation guarantee liabilities, including how to identify the risks and the current issues of which you need to be aware.

Lots of businesses use contractors so SG liabilities can quickly accumulate. Could your business be at risk but you just don't know it?

What happens if you get it wrong? ATO continues to enjoy a high success rate when challenging the treatment of contractors under SG legislation.

We work with businesses to identify those that may be at risk of significant superannuation guarantee liabilities, and the steps to take to protect you.

Call us on 02 6686 3000 to make sure your business is moving forward free of any superannuation guarantee risk as far as the ATO is concerned.

Probably wise to stay out of the red with this Robyn

Widely travelled Robyn Johnston joined Collins Hume in 2000 when she came on-board as an Accounts and Trust Account Manager.

Day to day Robyn runs the firm's billings, debtors and banking, and then turns her hand to all the things that make trust accounts tick over – from processing the accounts to monthly reporting to preparing for annual audits. Collins Hume's partners rely on Robyn's accurate, safe pair of hands; she is a perfectionist so her work is always a pleasure to the extent that she has commendations from the external auditors.

"The accounts department is the engine of any business," says Robyn. "Nothing has stood still at Collins Hume. We have streamlined a lot of things over the past 14 years."

Generally you won't get to see or hear from Robyn unless it's about a bill, late payment or a trust return. But behind the scenes she is the poster gal for exemplary debtor management with her professional bedside manner.

"Collins Hume is like a big family," she says. "Everyone is on the same page as the partners which makes it an enjoyable place to work. We all get along really well; we're close knit and easily relate to each other."

Outside of work Robyn lives for her kids and grandkids! She mixes family life with a healthy love of movies, friends and shopping. And travel is never far from her mind – Robyn has already racked up miles in West Coast USA, Mexico and China.

"It's a big job which can get stressful at times, so time out is an important antidote," says Robyn. "Since moving to Tamar Street, Collins Hume has had the opportunity to grow and to spread our wings to do what we do well, with space, for our clients. I really enjoy that."

Last look – PPSR terminology

- Grantor – the party against which that the security interest is registered.
- Secured Party – the party that holds the security interest.
- Collateral – the party which is secured by the security interest.
- PMSI – a Purchase Money Security Interest. The interest secures unpaid purchase price and has a high priority when registered correctly.

GLOBAL BUSINESS CAMPS
Give your business the edge!

2014 Planning?

Global Business Camp 3-5 March, Gold Coast

The *Business Camp* program helps business owners create a business that is more rewarding and enjoyable for you and your team, and gets you thinking about your business in a totally different way.

Learn how to increase your businesses profit and value but **not** at the expense of your quality of life. Discover the 'New Rules of Business'.

Profitable Business Management Workshop for architects, engineers and surveyors 24-25 March, Brisbane

Create a profitable technical design firm that can run without you *and* attract a successful sale. Hosted by design industry consultant Andrew Geddes, work as a team on setting a new strategic business plan, budgets and operational initiatives. Then look at a range of creative alternative entry / exit options all designed to build potential purchaser confidence.

Phone us for more information or to book your place on 02 6686 3000.