

## New Year resolutions – do you pay lip service or take your business to task?

**Did you, like many, resolve to do any number of things? If not, now is the time to be ready to grasp the opportunities coming your way as confidence slowly returns to the business sector**

The pressures of New Year business issues (typically [managing cash flow](#) and juggling staff leave at this time of year) can often mean strategic planning takes a back seat.

If you're operating a small to medium business, or trying to get a new venture up and running, things might not quite be going your way, so it's not uncommon to feel a number of things like being overwhelmed, stressed or even conflicted.

With Dun and Bradstreet predicting a rise in business failure rates\* and more businesses bankruptcies in 2013 yet to come, how can you safeguard your enterprise to be ready when full confidence returns?

To have a successful business you must plan ahead now - and the best way to do that is with our **Strategic Business Review**.

**Let us help you strategically review your business operations to look at where you want your business to be in 2013 and the next 3-5 years, and exactly how you and your team can achieve these desired goals and objectives.**

To complement your strategic review, Collins Hume proactively assists business owners to identify government grants for which you might be eligible. In the current economic climate, access to grant funding will be of considerable benefit to a growing number of small and medium enterprise operators who wish to make inroads to improving their business planning, marketing and e-commerce practices.

**It is estimated that the total business grant market in Australia is in excess of \$5 billion annually so why not check if you're eligible?**

Don't just take our word for it; read how we've helped our clients to achieve their goals with strategic business planning in our latest case study on Page 4 of this issue, or on our blog at [Proactivity in Equal Measures](#) and [2013 Business Planning](#).

We offer a range of business planning resources which we can apply to your own circumstances. Being a local business, we know the local issues and have a 30-year track record of working with businesses in our region. We work with you to tap your hidden business potential so call us on 02 6686 3000 for a limited time to arrange your obligation-free Strategic Business Review and get the most out of 2013.

\* D&B figures show the number of businesses that collapsed in Australia increased by 48% in 2011/2012.



## Top tips for 2013

**If you're running a business, aim high this year**

- It can be lonely at the top; often business owners / leaders operate in isolation. This year, work with one or two mentors with whom you can have formal and informal interaction, including those who have performed in similar roles.
- Confidently think through issues and then implement strategies, satisfied that you've considered all possible [scenarios and outcomes](#).
- Develop a great team culture. Be conscious that mistakes happen; it's how you and your team deal with mistakes that's important and the lessons learned.
- A multitude of risks exist in today's business environment. Try to accurately assess risk to protect you from vulnerabilities inherent in your enterprise. An [effective risk management strategy](#) will improve performance, allow completion of goals, and protect the [value](#) of your business.

**Often an external ear can lend a wealth of valuable perspective. Call Collins Hume on 02 6686 3000 to find out how we can help you make the most of your business year.**

## 2013: the year ahead

### A little crystal ball gazing and taking a look at what 2013 holds for business

**No age limit for super contributions** | From 1 July 2013, the upper age limit for superannuation contributions will be abolished. Employers will be required to contribute to the complying super funds of eligible mature age employees aged 70 and older.

**Payslip reporting of super payments** | From 1 July 2013, employers will need to provide additional information about superannuation contributions on an employee's payslip. Employers will need to report the amount and expected date of contributions they are making.

**Living away from home** | If you have employees living away from home, you need to know about the changes to the Living Away From Home Allowance system. The Government tightened the eligibility rules from 1 October 2012 for all new agreements entered into from 8 May 2012. Transitional rules can apply to arrangements entered into prior to 8 May 2012 but the full set of new rules will apply from 1 July 2014 or when the arrangement is modified (whichever comes first).

Basically, the new rules limit the concession to 12 months in a particular work location (except for fly in fly out employees), require temporary residents and non-residents to maintain a home in Australia, and receipts to be kept for all expenses.

**In-house fringe benefit changes** | The concessional fringe benefit tax treatment of in-house fringe benefits provided by employers under salary sacrifice arrangements was abolished from 22 October 2012 (transitional rules apply until 1 April 2014 for existing agreements). This change will particularly affect retailers providing discounted goods such as clothing, and organisations such as private schools that provide discounted education for children of employees.

Previously, in-house property and residual benefits were eligible for a 25% reduction in the taxable value. While this change occurred in 2012, we are likely to see the full effect in 2013 and beyond.

**Building and construction industry reporting** | A new reporting regime came into effect on 1 July 2012 requiring businesses in the building and construction industry to report payments to contractors. The first of these reports is due on 21 July 2013. Businesses affected by the reporting regime need to report the contractor's ABN, name, address, gross amount paid for the financial year, and total GST included in the gross amount. Read more about this on our blog at [New ATO taxable payments reporting for building and construction businesses](#).

If you're a business owner trying to understand the full implications of how these changes will affect how you operate in 2013, phone Collins Hume on 02 6686 3000 so we can expedite your knowledge and bring you up to date to swing into action.

### The general environment

#### The impact of the Federal Election

| The next federal election needs to be between 3 August and 30 November 2013. The Prime Minister's comment that the election will be 'around three years since the last one' has speculation rife about an August election. The problem with elections, and particularly where there is a potential change, is that business slows down as the big end of town sits and waits to see the outcomes before committing to new initiatives. With pre-election polls and sentiment being unreliable because people are not truly invested (no pun intended) in the outcome until the weeks leading up to the actual vote, we as business owners must sit tight until the dust settles.

**Banks and lending** | We're already seeing signs that the mining boom is slowing and, along with it, the capital spending boom. Unemployment is rising marginally and while there is employment growth, it's weak. It's not all doom and gloom though with low interest rates feeding growth. However, banks will still be picky about who they lend to with sensitive about reliability. In 2013, you'll need to ensure that you have a good relationship with your bank. Don't let problems get out of hand or they might just shut you down before you have a chance talk them around.



## 2013: the year ahead

### For your super fund

**Focus areas** | With \$458,451 million tied up in Self-Managed Superannuation Funds (SMSFs), it is not surprising that the Tax Office takes an active interest in this area. 2013 will see an even greater focus on ensuring that the assets of superannuation funds are kept separate from their members until they retire. There is a lot you can do with your superannuation and through a superannuation fund but you need to understand the rules, so consult with us to find out your best options.

For SMSFs, property investment using Limited Recourse Borrowing is a major area of focus. If the purchase of the property is not structured correctly, trustees may be forced to sell the asset.

The value of assets contributed to superannuation is another area the Tax Office is sensitive about. Earlier this year, the Tax Office released final valuation guidelines on how superannuation fund assets must be valued. These guidelines require fund assets to be valued at market value and apply now. In 2013, you can expect to see a greater focus and enforcement of these valuation rules. Read more on our blog at [Obligations and responsibilities for SMSF Trustees](#).



**Off market transfers** | An off market transfer is when an asset is transferred outside of the underlying market. For example, when a member transfers shares directly to a SMSF - instead of the member disposing of their shares on the market and then the SMSF purchasing the shares on the market. A ban on off market transfers was due to come into effect on 1 July 2012 but delayed until 1 July 2013. From this date, all acquisitions and disposals of assets between SMSFs and related parties must be conducted through that market, or if no market exists, must be supported by a valuation from a suitable qualified independent valuer. The big question in 2013 is, when we see the final detail of the ban, what assets will be covered.

*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.*

### For individuals

**Super guarantee increases** | On 1 July 2013, the first of the proposed incremental increases to super will come into effect. The change will lift the superannuation guarantee rate to 9.25% for the 2013/2014 financial year. For an individual on a base salary of \$60,000, the change will represent \$150 extra compulsorily contributed to super. The rate is then proposed to increase every year until reaching 12% on 1 July 2019.

**High income earners to pay higher tax rate on super** | While not yet law, the controversial increase to the tax rate of super contributions for high income earners is due to come into effect on 1 July 2013. This will mean that if you earn over \$300,000, you will pay 30% instead of 15% on super contributions (only on the portion above \$300,000).

**Non-residents** | The big issue is the Budget announcement that locked non-residents out of the 50% CGT discount meaning, if you are not a resident of Australia and make money on the sale of an asset, you cannot access the 50% CGT discount from 8 May 2012. We have not seen the legislation supporting this change but expect to see some of the tax benefits previously available to non-residents whittled away as the Government seeks to achieve a surplus.

### New paid parental leave for

**Dads** | Effective 1 January 2013 and providing two weeks of Government funded pay, the paid parental leave applies if Dad or partner (including same sex couples) is an Australian resident, meets the work test, has an adjusted taxable income of \$150,000 or less, and is on unpaid leave or not working during the two weeks.

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## Proactivity in equal measures

**After selling his successful advertising agency, Jason Mumford, now working as a specialist brand and digital marketing consultant, wanted an accountant who was as proactive as he was.**

Primarily Jason was looking for value for money so he could benefit from external input into the performance and management of his business. After 12 months of working with Collins Hume, Jason believes he is getting the insight he needs to run his business more efficiently.

Collins Hume's [Peter Fowler](#) began by getting Jason's personal and business tax affairs in order.

The next step was to take the information collated during the tax preparation process and use that to look at Jason's business through an external set of strategic eyes.

Ultimately, the goal was to expertly use the financial and tax data collated for Jason's business in order to determine the direction of his business and how to get there.

### Jason is finally getting what he wanted from an accounting firm

"After 20 years with the same firm it was time to lose the tax agent service philosophy and seek some valuable business advice," says Jason.

"Collins Hume offers [business advisory and strategic planning](#) on top of accounting which, for me, adds up to sound business advice. Because they are proactive, they provide me with an external view of my business and augment my own internal perspective."

"Collins Hume has a proper sense of where to take my business and how to assist me on that path, offering more than just tax and accounting compliance which, at the end of the day, makes the best use of my time."

"We have quarterly or monthly meetings," Jason says. "Peter Fowler presents the results and chairs each meeting making sure he focuses less on accounting and compliance and more on performance monitoring. It's like he has buy-in to my business and good insight before helping me make decisions."

These strategies have led Collins Hume to be more involved in bespoke business planning projects, particularly in servicing the tourism sector, a synergy that existed between both businesses.

"Because of the in-depth way in which we work together, Peter has lent his expertise to joint projects," Jason says. "I brought Peter on to assist with the planning process and documenting a business plan for a major hotel chain. He brings thorough insight to the task at hand. And he doesn't recommend doing something unless it can be done."



Equally, Peter was recommended to facilitate the round table discussion for industry members of the Northern Rivers Tourism organisation to kick start their strategic planning process. Jason says, "CPA accreditation was important – it showed an understanding of the important strategic issues. Peter was engaged because of his business acumen and well-rounded approach."

Jason adds, "If someone has a need for an external organisation to assist them in planning for the future, then consider Collins Hume for their well-rounded skills. It's neither a compliance nor an accounting mind-set that they bring to the table; they talk simply in plain English which is so much easier – it puts everyone on the same level."

The result of our work with Jason is that he can pick and choose the type of work and projects that come his way knowing that his business is quietly moving along its path to its intended destination.

**At Collins Hume we know that business owners want to not only survive, but to grow and thrive. Talk with us about your business aspirations and how we can help you to achieve them on 02 6686 3000.**

## Engineering your exit strategy or just hoping for the best?

If you are a business owner in a professional industry sector, you are likely a baby boomer who has started thinking about retirement

The owners of Mining Engineers Pty Ltd, an engineering services firm, decided to formally develop their approach to the exit of their business. The firm has four owner engineers all working in the business who each own 25% of it. Two want to exit within two years; the other two within five years.

With all in agreement that a staged approach is the best solution for all concerned, what tangible tasks are likely to play out in the lead up to two-step handover? Often, once it is agreed that succession is the best option for a going concern, it can be hard to make sense of everything that needs to occur in what is a seemingly short timeframe whilst achieving a maximum return on business value.

Collins Hume say, "Understanding your exit options is critical if you want to control your exit and maximise your business value when you exit". With a number of exit options available to most business owners, many prefer to choose an internal transition strategy due to the associated benefits including:

- Flexibility and control over timeline
- Staff retention, attraction and reward
- Ability for current owners to transition out of ownership and management on a staged basis
- Current and future owners benefit from improvement in performance and business value

Often asked if we have advice for business owners at a succession crossroads, at Collins Hume our response is very clear, "Get the process started early. You've got to get the people in place - and then be prepared to step back."

"Business owners need to understand their succession options and agree which are the best for them, their business, their staff and their clients in order to retain business value and ensure a streamlined transition process."

### Take action! Approach your own succession planning with engineering-like precision

1. Request a copy of our latest Industry Case Study: Do you have exit strategy?
2. Speak to us and discover how we can help you develop and implement your succession plan.

A timely and ordered succession plan can enable your business to respond to a 'changing of the guard' more effectively. Call us on 02 6686 3000 to find out how.



## Pay smarter in 2013

**Astute cash management is essential for operating a successful business**

In today's competitive environment many businesses prefer to spread their professional fees over the year rather than paying as a single lump sum just like rent or insurance premiums.

**feeLink** is available as a monthly payment option to clients who prefer to fund their professional fees over a six or twelve month period. A feeLink loan is:

- Sensible – existing cash or credit lines are retained for other needs
- Simple – an agreement and Direct Debit authority are all that is needed
- Stress Free – avoid becoming an overdue debtor
- Smart – the small credit charge is also a deductible business expense

We know that clients using feeLink are quite capable of paying their fee as a lump sum BUT they simply prefer to manage their cash more effectively. Contact us on 02 6686 3000 if you wish to explore this option in 2013.



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