

Business conditions still bumpy

There are some expectations by economists that the RBA could announce another cut in the next couple of months and, by later in the year, interest rates could start to rise.

The Reserve Bank announced that interest rates will remain on hold at 3 per cent. The Federal election will cause some uncertainty for many businesses, especially retailers, because traditionally consumers reduce purchases during elections. Whether this is going to happen over the 6-month election period remains to be seen.

"An unhealthy cash flow cycle exists among Australian businesses, with 62 per cent of accounts settled late and firms taking on average, 52 days to pay their bills." – Trade Payments Analysis by Dun and Bradstreet. This statement highlights the cash flow management problem facing many small business operators.

If that's not enough, bank covenants are getting tighter. Interest cover is a minimum of two (number of times that interest charges are covered by EBIT (Earnings Before Interest and Tax)):

- Debt Service Cover (the ratio of cash available for debt servicing for interest, principal and lease payments) – 1.5 trending up
- Current Ratio (the relationship between current assets and current liabilities) 2+
- Quick Ratio (ratio between current assets minus stock and current liabilities) 1+

On a positive side, if you're in the Information and Communication Technology, Transport / Freight and Logistics and some Professional Services industries, there are some additional government grants by Enterprise Connect.

Day to day business rigour can mean that proper planning takes a back seat

With the Minister for Industry and Innovation announcing that Government wants to encourage more small businesses and start-ups to grow into successful, mid-sized enterprises that can compete internationally, access to grant funding will be of considerable benefit to a growing number of operators who wish to make inroads to improving their business planning, marketing and e-commerce practices.

There are many Australian and State government grants for small and medium sized enterprises. It is estimated that the total Australian business grant market is in excess of \$5 billion annually so why not check if you're eligible? To have a successful business you must plan ahead now, and the best way to do that is with our **Strategic Business Review**.

Tap into your business potential; let us help you strategically review your business and 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 by calling us on 02 6686 3000 or visit [Growing small to medium businesses](#).

For your diary in 2013

Other ways Collins Hume can help you get the most out of your business this year

■ Global Business Camp

Join us at YOUR Business, YOUR Lifestyle! Global Business Camp conference from 8-10 April 2013. The Business Camp program is a leveraged way for you to pick up many great ideas and concepts in three days, and will help you create a business that is more rewarding and enjoyable, for you and your team. The aim is to get you thinking about your business in a totally different way where you will learn how to increase your business profit and value but NOT at the expense of your quality of life. The Camp is conducted over three days from 8-10 April 2013 at the Sheraton Mirage on the Gold Coast. Full details on our [Events](#) page.



■ Surf the Wave to Success III

Collins Hume is proud to present our third International Business Development Conference 'Surf the Wave to Success' in conjunction, this year, with Baker Afflick Moffrey, to be held on a privately owned island in the pristine surrounds of the Telo Islands from 6-17 November 2013. Full details on our [Events](#) page.

🌱 **Or shine a light on strategy in your business by joining our discussion at SS Strategy <http://lnkd.in/vqUPnr>**

Holistic approach to finance and accounting tips repayments and cash flow in owners' favour plus restores business balance

Wearing multiple hats as a small business owner, your days are packed with negotiations and numbers. Customers need you; everywhere you turn there are demands on your time and resources. You know this from the outset, but that doesn't mean running a business has to be more challenging than necessary.

Which is, when the time came to update their old tip truck and refinance a new one, owner / operators David and Vicki Caesar immediately thought of battling the challenge to their accountants to do the leg work.

Only it was at a time when their usual accountant left the firm and they were handed over to another that got Vicki thinking about their options, "We had been thinking of changing accountants and, being local, we'd known the Collins Hume name for a long time," says Vicki. "I sent an email to Collins Hume and received a prompt response from [Chris Atkinson](#) who, funnily enough, I'd been at school with."

"Initially Dave and I were in the process of getting figures for purchasing a new truck. After six years it was time to trade in our existing vehicle which was almost at the point of starting to cost us money," says Vicki. "We wanted to know how purchasing a new truck would affect our tax and loan arrangements before we set new finance in place."

What was then discovered in Vicki and David's overall accounting brought to light a few extra things that needed attention, "It was a good thing we got Chris to sort our tax liability before we got to the financial year end."

"Changing accountants gave us the opportunity to view our circumstances in a new light. We were looking for thinking that was outside of the square, not only on this transaction, but for our whole business. Doing so identified that we had some balance sheet anomalies which Chris addressed and resolved well in advance of the financial year-end."

Vicki and David are delighted with the outcome. Once they and Chris decided the best course of action to take, Chris helped them to lower their repayments and improve their cash flow.

"Everything ran smoothly; Chris was very helpful and talked to the finance broker, explained everything and arranged finance in under a week."



"The finance broker called us to say he could do what Chris suggested to achieve the desired result, so our new truck is now on order."

"We are busy enough with David driving and helping our customers, and me running the office whilst fitting in with family. We'd not envisaged any balance sheet issues and had not been informed by our previous accountants so are grateful that Chris picked up the problems when we came to Collins Hume."

"Chris not only explained the effect on our existing tax and loans as we'd initially requested, but holistically laid out the legal, fringe benefits, depreciation, structuring, dividends and cash flow implications as well."

As relatively new clients, Vicki and David are impressed with Collins Hume's service and are looking forward to welcoming their new 'addition' with peace of mind knowing that their accounting affairs are fully in order and up to date.

Vicki added, "No wonder Chris topped economics when we were at school. It was a straightforward project but Collins Hume provided great value and helped us enormously."

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On the fringe

Our top FBT myths and opportunities

Myth 1 Motor Vehicles | You don't pay FBT on company cars. As soon as your team start taking the company car home at night, use it to travel to and from work, use it on weekends, or generally use it for their own purposes, then FBT will apply. Even if the team member doesn't actually use the car on weekends and it stays in their garage, the fact that it is available for their use would generally mean that FBT applies. Similarly, if the place of business is the same as your place of work, fringe benefits tax generally applies. FBT also generally applies to road tolls paid by the business and incurred by team members travelling to and from work, or when travelling for private purposes. The ATO has recently announced a new data matching program for high value vehicles. We presume they are trying to identify luxury vehicles within business where no FBT has been declared on their use.

Myth 2 Directors | FBT does not apply to directors who are also shareholders.

If you receive benefits in connection with your role as a director then the FBT rules treat you just like any other employee. If you take a company car home or one is available to you, then FBT applies. If you don't pay for the business' products and services that you use or pay a discounted rate, then FBT applies. Don't forget, even though you might own the company, if you are employed by the company, then the same rules apply to you.

The same goes for associates of Directors. If you pick up expenses for your spouse, kids or relatives, or they benefit from discounted goods and services sold by the business, then FBT will apply. In some situations you might be able to argue that you have received a benefit in your role as a shareholder of the company rather than as a director. While this might stop FBT from applying, it will trigger another set of rules which will tax you personally on the value of the benefit you have received.

Myth 3 Staff benefits | You don't pay FBT if something is salary packaged.

While salary is not subject to FBT, additional benefits such as health insurance packaged into an employee's salary can trigger FBT. This is even in industries where employees are required to undergo medical testing. In fact, pretty much anything given to staff with a value of \$300 or more is likely to incur FBT. There are a number of exceptions but these are very limited.

Salary packaged in-house fringe benefits, where businesses supply staff and their associates with discounted goods and services that are the same as those provided to the customers of the business – such as private schools providing discounted school fees for teachers' kids or retailers packaging employee discounts – have traditionally been subject to more favourable FBT treatment. However, in the Federal Budget the Government announced they were scrapping the FBT concessions that apply to these benefits. In changes before Parliament, salary sacrificed in-house fringe benefits will be subject to FBT based on the full value of the goods or services from 22 October 2012. The changes are not yet law.



Myth 4 Loans | Advances and loans given to staff don't incur FBT.

Let's say an administrative error means that a team member has been overpaid by quite a large amount for the last 12 months. The employee can't afford to repay the whole amount in one go so a repayment plan is agreed to. No interest is charged as it wasn't the employee's fault and this wouldn't be fair. The ATO would consider the overpayment a loan. The fact that no interest is being charged means that FBT would apply. Loans need to be charged interest of at least the ATO's published interest rate, for 2012/2013 its 7.40%, to avoid paying FBT.

Advances in pay can also be considered a loan fringe benefit. The most common scenario however, is shareholders being loaned money by the business. In other words, when one of the business owners or their associate (e.g. a spouse) need some cash and take it out of the business. There are two ways these loans are treated. If the loan is made in connection with the person's role as a shareholder of a company, then as long as the loan is repaid before the company is due to lodge its tax return for that year, then there are generally no carry over tax issues. However, in some situations these loans can be subject to FBT if they are made to a business owner in their role as an employee regardless of whether they are paid back by the financial year end.

Continued/...

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FBT opportunities

On the flip side of FBT compliance, opportunities exist

Relocation expenses | Moving an employee from one location to another? Then, there are some FBT breaks to help. There are a number of items that are completely excluded from FBT or where the taxable value is reduced if certain conditions are met.

- Relocation consultants to help employees move to a new location by organising removalists, finding accommodation, providing school information etc.
- The costs of removal and storage of household effects.
- The incidental costs of selling the employee's home and buying a new one in the new location such as stamp duty, advertising, legal expenses, agent commission, discharge of a mortgage, borrowing expenses and other similar capital expenses.
- The costs of connecting or reconnecting gas, electricity and telephone services to the new place of residence or the former place of residence.
- Temporary accommodation, including the costs of acquiring household goods.
- Visa application fees and associated medical examination costs.

A number of conditions apply but if they are met, the tax savings can be well worth the effort. Make sure you get advice from us on 02 6686 3000 before acting.

Bringing your spouse to conferences | If your spouse comes with you to a work conference, the cost of the conference accommodation is not subject to FBT as long as there are no additional charges. For example, where the hotel room is sold on a per room basis. If however, there is an additional person charge, FBT applies to just that additional room cost.

FBT exempt utes | While FBT generally applies to work vehicles, if the motor vehicle is a ute, panel van, or any other vehicle designed to carry less than one tonne and not designed principally to carry passengers, then it might be exempt from FBT. For example, a ute could be garaged at an employee's home without incurring FBT if the personal use of the ute was only incidental.

Laptops, iPads and Computers | Employees can salary sacrifice the cost of a laptop computer and software as long as it is predominantly used for work purposes without incurring FBT. The exemption is limited to one laptop per employee per year and means that the laptop is purchased using pre-tax income.

Fringe benefits tax exists to ensure that employees are not getting income disguised in another form and avoiding income tax. But such a broad concept has its problems. With the FBT year ending on 31 March, it's a good time to explore the myths and realities of fringe benefits and why so many employers get it wrong.

If you're a business owner trying to understand the full implications of how FBT affects your business, phone Collins Hume on 02 6686 3000 so we can expedite your knowledge and bring you up to date.



FBT myths continued...

Myth 5 Meals | Meals provided to employees are not subject to FBT.

While there are some exceptions that apply to meals provided to employees, there are many situations where the provision of food and drink to an employee or their associate is subject to FBT.

The risk of FBT applying increases when you are entertaining, rather than just providing sustenance. For example, food and drink provided at a social function or in a restaurant generally has the character of entertainment and will normally be subject to FBT.

The main FBT exceptions in relation to food and drink are where the meal is consumed by an employee while travelling for business purposes or where the meal is consumed on the employer's business premises (e.g. a working lunch in the office). Food and drink provided to employees and their associates at a Christmas party or other special occasion can be exempt from FBT if the cost per head is under \$300.

The advantage of subjecting food and drink to FBT is that costs are generally deductible and GST credits can be claimed. Food and drink that gives rise to entertainment but is not subject to FBT is not deductible to the business.

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Finding lost, ATO-held super deadline

Claim or lose it puts frighteners on lost, unclaimed super members

The Australian Taxation Office is likely to receive a massive windfall after recent changes allow it to hold untouched super accounts with balances of up to \$2,000. Previously it could receive super accounts with balances of less than \$200.

Hundreds of thousands of idle superannuation accounts will be handed over to the ATO in coming months if members don't take action to recover lost and unclaimed funds. Superannuation fund providers have until 31 May to transfer these accounts across to the tax office.

Collins Hume Partner [Ian Wunsch](#) says super fund members need to act now to retrieve their lost or unclaimed funds before their money is transferred, "It is not an unsubstantial amount of money that is going to be moved to the ATO," Ian says. "There are a lot of forgotten about accounts floating around in the system."

On average, every Australian has almost three super accounts. It is common for people to accumulate multiple super accounts as they change jobs, with many people failing to consolidate accounts along the way.

ATO says there are about 1.1 million accounts on the lost members register with balances between \$200 and \$2,000. Not all of these will be eligible for transfer as some may be receiving contributions and some will be reunited with their owners.

Finding any lost or ATO-held super

Unclaimed super is when the member meets eligibility requirements to withdraw it but the super fund cannot contact them. Members will lose insurance arrangements once their fund transfers their account balance to the ATO, but they will not have to pay any fees once they move across.

Finding any lost or ATO-held super

The good news is that it is a simple process to track down your lost or unclaimed super.

If you've ever changed your name, address or job, you may have some lost super and be listed on ATO's lost members register. ATO may also be holding, on your behalf, amounts paid to them by employers, super funds or the government. To find out if you have any lost or ATO-held super, use ATO's free online search tool [SuperSeeker](#).

You can locate any lost super reported to the tax office and any super the ATO holds on your behalf, and transfer your lost super to the super account you want. Also speak with us on 02 6686 3000 about consolidating your funds in the coming weeks.

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.



Latest WHS issues

The Workplace Health & Safety (WHS) Act imposes obligations on company officers to exercise due diligence to ensure the person conducting a business or undertaking (PCBU) is complying with the Act.

- Due Diligence (steps needed to be taken) – company directors and other company officers including managers must acquire knowledge of WHS matters.
- Company officers need to gain an understanding of all hazards and risks associated with the work to be undertaken, **before** it commences.
- Company officers must ensure appropriate resources and processes are available to eliminate or minimise risks.
- Officers need to ensure there is a reporting process for WHS issues.
- If a company officer delegates, they must ensure they have done so with proper due diligence, ensuring that the person to whom they have delegated is appropriately trained, and regularly monitoring that person's performance. You cannot just say that you have asked someone to be responsible for WHS and not take further action.

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Consumer law update

The National Consumer Law is now administered by the Australian Competition and Consumer Commission (ACCC). We cover some of the key issues relating to retailers

- If products purchased by a customer, which had been gifted to another person, and the gift recipient wishes to return the product to you, the recipient has the same rights as the person who purchased the goods.
- The retailer is entitled to request the person returning the goods to produce a receipt as proof of purchase from your business.
- If the goods are defective or do not work, the retailer will have to consider replacing, repairing or refunding the amount that was paid for that product. However, the customer or recipient is not entitled to a refund simply because they do not like the gift.
- If a customer purchases the goods from you, and wants to change the goods, they cannot do that, unless the goods are defective, or do not work, or do not do as advertised they would. If the customer asks for a refund merely because they've changed their mind, or believes they can buy the goods cheaper elsewhere, you are entitled to say no, as this is the consumer's problem.
- If you have sold something that is defective or is not doing what it's supposed to do, or is not safe, or the goods do not match the description of what was sold, the law requires the retailer to rectify the situation by offering a refund or exchanging the goods.
- Depending on whether the defect is a 1) Major problem where the product is unsafe or does not do what it was meant to do or as advertised it will do. In this case, customer will be entitled to ask for a refund, or 2) Minor problem where the defect can be remedied by repairing the product, there is no requirement to agree to a refund. Retailers have rights; you do not have to take goods back unless they are defective.

No Refunds

Under the Consumer Law, 'No Refunds' signs are illegal. It is against the law to tell consumers that they don't have any rights. 'No Refunds' signs at sales are also illegal. However, you need to make sure that, if you're selling sale items that are sub-par such as factory seconds, damaged goods, etc, you have clearly advertised that they are not 100% perfect within your store where the sale is being conducted.

There will be disputes to be resolved from time to time. If a customer raises an issue with you and you are not prepared to make an instant decision and accede to the customer's demand, request that they advise you in writing of their concern. It is a good idea to then reply to the customer in writing, advising them of your decision. You need to be aware that, if the customer is still unhappy, they can then approach the State Department of Consumer Affairs/Fair Trading, Small Claims Tribunal or ACCC for a complaint ruling. Call us on 02 6686 3000 If you're unsure in any way.

Accountant doing a disservice and costing you more money than they save you?

If you know of someone whose relationship is lacking with their accountant, or are at a loss knowing what direction their business will take this year, why not tell them about Collins Hume?

With over thirty years' experience, we are in tune with Northern Rivers business by providing a sharp focus on regional needs.

For many, changing accountants might seem a complicated process. Rest assured that as a professional, proactive firm Collins Hume can make it fast, easy and stress free. No prolonged farewells or embarrassing departures.

If anyone is not receiving all that they should from an accountant, help get them organised and take control with Collins Hume. There's no obligation; just the opportunity to talk with local business professionals who aim to do their utmost for individuals, families and businesses. It costs nothing to get a second opinion so why not meet us to discuss how we can match your needs by phoning us on 02 6686 3000 or read what other clients say on our [Testimonials](#) page.

Any new clients who join us by 30 June 2013 receive a free Strategic Business Review valued at \$880!

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