

Challenging times for business

It's already autumn and we're in the middle of widespread media speculation on what's going to be included in the government's policies, to be announced in May's Federal Budget.

The key economic data from a business perspective, includes:

- **Economic Activity** – this is the volume side of the economy and reflects demands for products produced by all types of businesses.
- **Prices** – are ultimately reflected in the Consumer Price Index (CPI). Prices for some services go up, some drop and they're all reflected in the CPI. It is expected that the CPI will remain between 2%-3% during 2014.
- **Interest Rates** – the Reserve Bank has set the interest rate currently at 2.5%. There is an expectation that, by the end of 2014, rates will increase to around 3%. If you're able to do so, this might be a good time to lock in a long-term rate, in accordance with your agreements with your bank.
- **Exchange Rates** – are expected to remain around AUD0.85 to USD1. Exchange rates can have significant effects on a large number of businesses and many will be closely watching what happens to interest rates.

There have been other events initiated by the Federal government (mostly laws passed by the previous government), which will affect many businesses including:

- Decision handed down in Victoria with respect to liquidation matter between Swans Services Pty Ltd and Central Cleaning Supplies (Aust) Pty Ltd, in which the court rejected the plaintiff's (Central Cleaning Supplies) appeal from the liquidator's decision to seize property that has been supplied to Swans Services Pty Ltd (in liquidation). This case highlights the necessity for businesses supplying goods with a 'Retention of Title' clause appropriately drafted after 31 January 2012 to 'protect their security interest' by registering the security interest on the [PPSR](#).
- Introduction of Privacy Law Reform, which affects all organisations with a turnover of over \$3million. Privacy Laws will also affect businesses with annual turnovers of less than \$3million that are health services holding health information; organisations related to a larger companies; and organisations trading in personal information. Reforms commenced 12 March 2014.

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- Anti-Bullying Laws are now fully operational. Workers who feel they are being bullied will now be able to seek an order from the Fair Work Commission, requesting that the bullying stops.

[PPSA](#), Privacy Law Reform and Anti-Bullying Laws highlight the necessity for business owners to have an annual check-up with their commercial advisers to ensure they are complying with the new laws and regulations.

Succession

Important at any age

Thousands of Australian business owners want to plan an orderly succession. [The number of 'baby boomer' business owners planning to dispose of their businesses complicates the situation.](#)

Succession planning isn't just for those aged 60-70 years. It applies to businesses at any age or any stage. In fact, succession planning also applies to virtually every position within your business.

Succession planning is part and parcel of the ongoing activity within a *thriving* business, and a challenge all business operators should take seriously.

If you would like to have a discussion with us about [planning for succession](#) in your business, please contact us on 02 6686 3000.

Privacy legislative changes for business in 2014 – make sure you comply

Businesses may face penalties of up to \$1.7 million for companies and \$340,000 for individuals breaching new privacy obligations that came into force on 12 March 2014.

If your business has an annual turnover of more than \$3 million, you will have to take 'reasonable steps' to comply with the new Australia Privacy Principles. The new obligations will require most businesses to:

- have a clearly expressed and up-to-date privacy policy that is easily accessible;
- issue privacy statements or read scripts containing mandatory privacy matters before collecting an individual's personal information;
- follow strict procedures for dealing with unsolicited information;
- ensure that third parties (particularly overseas entities) who handle the clients' personal information comply with the APPs;
- only collect and deal with personal information for the primary purpose for which it was collected, unless an exception applies; and
- cease using personal information for direct marketing purposes unless an exception applies.

As a separate obligation, if your business offers goods or services on credit or defers payment for at least seven days (regardless of your turnover) you must:

- have a clearly expressed and up to date policy with mandatory information about how they manage credit related information;
- implement practices, procedures and systems to comply with their credit reporting obligations;
- be aware of the limitations if intending to disclose credit information to 'credit reporting bodies' (e.g. Veda and Dun and Bradstreet);
- become a member of an external dispute resolution scheme if disclosing credit information to credit reporting bodies; and
- be aware of the requirements of the Credit Reporting Code of Conduct, which operates alongside the obligations under the Act.

The new privacy obligations will affect most businesses. You must make a genuine effort to comply or face hefty penalties. If you have any questions or concerns, please consult your legal advisers. (Source [Cooper Grace Ward Lawyers](#))

FYE on the horizon

Which accounting services should you tap into now?

As your accountants, we're happy to supply you with a range of services beyond the traditional annual accounts and income tax service:

- In-depth review of your monthly financial accounts.
- Preparation of [budgets](#) on an annual basis, then monthly or quarterly updates.
- Preparation of annual [cash flow forecasts](#), then monthly or quarterly updates.
- Review of your debtors' aged analysis and strategic advice to reduce debtors' days outstanding.
- Assisting in management of costs.
- Reviewing your insurance needs.
- Identification of [government grants](#) that might suit your business.
- Reviewing your operations relative to your exposure to the [Personal Property Securities Act](#).
- Advising on implementation of systems to ensure there is proper consideration given to tax invoices and location of assets owned by your business, in determining whether a 'security interest' should be lodged on the [PPSR](#).

If you would like to have a discussion on any of the additional services we can supply to assist in your operations, please contact Collins Hume on 02 6686 3000.

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Local design and manufacturing business cooking with gas

Multi award winning Collins Hume client [Solid Kitchens 'n' Cabinets](#), located in beautiful Alstonville, has specialised in all aspects of kitchen and cabinetry design, manufacture and installation for over 15 years.

With the know-how and creativity to make cooking more enjoyable (and let's face it, who couldn't use some extra help with that?) we spoke with one half of their dynamic duo, Deanne Watson, about what makes their business tick.

For starters, both Deanne and Chenoa have extensive experience when it comes to marrying key parts of their business function with talent. Business and design qualified Deanne runs the front and back office, leaving Chenoa to design and build the stunning kitchens that have become their hallmark.

Deanne's formative business 'training' from her father has held them in good stead.

"Collins Hume keeps us focussed on staying compliant with the ATO," she says. "[Ian Wunsch](#) worked with dad when he owned his own business, which is when I became one of their wage earner clients so the connection is still strong. Ian keeps in touch and helps to keep us on top of things."

Normally Collins Hume helps Deanne and Chenoa with their tax and accounting throughout the year. But when the business experienced some growing pains recently, Ian was quick to get things in perspective by touching on some [budget planning](#) to see them through.

"We make sure our end of year financial planning is discussed quarterly, plus any other financial matters that crop up, such as advice on purchasing equipment and vehicles and best way to go about it for tax purposes."

Deanne and Chenoa also used Collins Hume as their sounding board when they were thinking about purchasing a property. They had been in discussions with Ian for a while about either purchasing or moving to larger premises. When their lease expired Deanne and Chenoa found a property that not only suited their current needs with room for expansion, but also had additional income from leases to other businesses.

"Ian was initially hesitant about us taking on more debt, but then came round to the idea of our rental property proposition," she says. "We sat down with Ian and analysed our finance commitments including the new property and loans/leases that were coming to maturity and satisfied ourselves that it was a viable proposition."



"It's like we have an elder statesman scrutinising our business actions closely, not being negative, but making sure we can make the opportunities work. It means we've thought things through properly before we run an idea by Ian."

"Ian liaised with our Solicitor in relation to GST matters relating to the purchase and devised a structure in which to hold the property that is both flexible for our future plans *and* tax efficient."

"With Ian keeping an eye on us regularly, not just annually, we have peace of mind. As business owners we can only do so much, which is why we let Collins Hume roll on with what they need to do."

"That allows us to focus on delivering a high-end product to our clients, knowing that our business is not only compliant when it comes to the ATO, but that we have more than just accountants with our best interests at heart."

Read more about Deanne's and Chenoa's business at <http://solidkitchens.com.au/>.

Why are SMSFs so popular?

As the Government encourages Australians to take responsibility for reaching their financial retirement goals, more and more people are required to deal with their own superannuation.

The reasons for the flood of interest in self-managed superannuation (SMSF) are:

- **Investment control:** SMSF trustees, essentially the members, can choose their own fund investments including shares, residential and commercial property, farms, ethical investments and the like. There are superannuation laws limitations of how these assets can be used and from whom they can be acquired. However provided they meet the fund's investment strategy they should be appropriate investments.
- **Family super funds:** The SMSF is a true intergenerational wealth accumulation and wealth transfer vehicle. There is no legal time limit on how long a SMSF can last – so many of our clients build it for generations to come as a lasting legacy.
- **Australia's only 'tax haven':** The previous government's Simpler Super scheme provides tax-free status for lump sums and private pensions payable from a SMSF to a member aged over 60. This is a huge benefit during retirement compared with all other forms of investment structure including the family trust, family company or investing alone or in a partnership. The only comparative exemption is the capital gains tax exemption on a person's principal place of residence or the sale of a business asset that meets the small business CGT exemptions.
- **Social Security benefits:** Where a member is over pension age, assets in their SMSF member account are tested for assets test and the incomes test. Where a couple's combined assets including super is less than \$1,092,000 for a homeowner then a part-payment pension is payable. For incomes test purposes, pension income less the tax-free proportion is assessed. If you are unsure whether you may have a "tax free component" for income test purposes, speak with us. Importantly a pension couple may be entitled to the health care card, electricity and telephone allowance where combined taxable income is less than \$80,000 p.a.



- **SMSF estate planning:** The ATO recently stated that a member's super benefits couldn't be looked after via a member's will. It is the trust deed of the fund that must provide rules as to how the trustee of the fund is to pay out a deceased member's benefits to their dependents or legal estate. From a tax strategy perspective there is no tax on lump sums paid to a deceased member's dependent. If the member is over age 60 and receiving tax free pension income at the time of death, then this income may continue to be paid tax free to the member's dependents, excluding any financial dependent who is a child and is over age 25.

Self-managed superannuation is a means of saving for retirement. It allows you to control your investment strategy, reduce tax while obtaining tax benefits and control administration costs. But it is a complex area, so personalised planning is required by a certified specialist (such as SPAA Accredited Collins Hume) for each individual. Call us on 02 6686 3000 to find out more.

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Drought Concessional Loans

The Australian government is offering an additional package of assistance to drought-affected farm businesses, for debt restructuring and/or to meet operating expenses and for recovery finance. These loans are for five years at an interest rate of 4% per annum. The government has not yet announced the roll out of the new grants.

We will include details of this grant when the full details become available.

Farm Finance Concessional Loans

Loans are available for eligible farm businesses for debt restructuring. Loans are for five years at an interest rate of 4.5%. Loans of up to \$1M available for Queensland and Northern Territory based farm businesses, and \$650,000 in the other states.

State	Current Application Closing Date
■ Queensland	31 March 2014
■ New South Wales	Not open
■ Victoria	Open (no stated closing dates)
■ South Australia	31 March 2014
■ Western Australia	30 April 2014
■ Tasmania	14 March 2014
■ Northern Territory	30 April 2014

Disaster Grants Application Deadlines - NSW

October 2013 Bushfires

Blue Mountains, Cessnock, Clarence Valley, Coffs Harbour, Dungog, Eurobodalla, Hawkesbury, Lithgow, Muswellbrook, Newcastle, Port Stephens, Shoalhaven, Singleton, The Hills, Wingecarribee, Wollongong, Wyong **18 April 2014**

Lake Macquarie **21 April 2014**; Wollondilly **28 April 2014**

9-10 November 2013 Bushfires | Gunnedah - Parishes of Gill, Wondoba (Country Pottiger) **30 June 2014**

11 November 2013 Hail Storm | Coffs Harbour, Parishes of Bonville, North Bellingen, Timboon (Country of Raleigh) **30 June 2014**

14 November 2013 Hail Storm Lismore **30 June 2014**

16 November 2013 Hail Storm | Coffs Harbour, Parishes of Sherwood, Waihou, Corindi, Woolgoolga, Dundoo, Red Rock **30 June 2014**



Disaster Grants Application Deadlines – NSW continued

November 2013 - Severe Weather and Tornadoes

Dungog, Guyra, Dwydir, Hornsby, Liverpool Plains, Muswellbrook, Port Stephens, Upper Hunter **30 June 2014**

4 December 2013 Bushfires

Cootamundra, Parishes of Stockingbingal, Dudauman, Yeo Yeo, Gundibindyal, Bute **30 June 2014**

January 2014 Bushfires

Bathurst, Coolamon, Greater Hume Gundagai, Junee, Lockhart, Oberton, Tumbarumba, Tumut, Urana, Wagga Wagga **15 August 2014**

Tap your business potential

Let us help you review your business and look at where you want your business to be in the next 3-5 years, exactly how you and your team can achieve these desired goals and objectives, with the help of government grant funding.

Call Collins Hume on 02 6686 3000 to find out how.