

## A New Government!

**There are many challenges confronting the new LNP government, and they will need to get down to work very quickly to resolve significant issues affecting small business throughout Australia**

Key issues continuing to confront SME operators, besides the unreasonable amount of paperwork required by the government, are:

- Cash flow management
- Debtors' Days outstanding now at 55 days – far too high
- Lower interest rates don't mean that the banks are going to be more lenient. In fact, recent articles indicate that the banks are becoming tougher in their small business dealings

The other big issue is change occurring within the economy. Deloitte's 'Digital disruption – short-fuse, big bang?' report identified industries, which they believe would be significantly affected over the next three years. These include:

- Retail trade
- Finance
- Arts and Recreation
- Information Communication Technology
- Professional Services
- Real Estate
- Media

If you're in any of these businesses, now is the time to start thinking about some strategies to reduce the impact of the digital disruption and, hopefully, create real opportunities for your business. These strategies could include:

- Re-calibrating cost structure – what changes need to be made in terms of people, supply chains and overheads, to radically re-think costs, so you are able to compete with the digitally powered, low-cost newcomers.
- Replenishing revenue across different segments from what you have relied on in the past – do you need to build new sources of revenue across different segments from what you're relied on in the past? Should different revenue streams be developed for different geographies and business models, as your traditional streams of income are subjected to competitor pressure from businesses utilising the new technologies?
- Do you need to reshape your own corporate strategies? This could include disposal of some assets that are no longer being fully utilised or changing your business operations.

With the election out of the way, now is a good time to think about some of these issues, especially if you are operating a business in one of the six industry groups that Deloitte forecast will suffer a 'big bang short-fuse' over the next three years.

If you have any matters relative to your business operations that you would like to discuss with us, please contact Collins Hume on 02 6686 3000 today.



## Ballina Cup Know Your Numbers Winner!

We are delighted to announce that Pene Dobell-Brown is our Ballina Cup Know Your Numbers Winner with 17 points by picking the winner from 3 of the 5 races! Congratulations Pene, enjoy your prize!

Thank you to all who entered for your participation in our competition.

## Farm Finance

### Concessional Loan Scheme

Federal and State governments have launched the Farm Finance Concessional Loan Scheme in Queensland, New South Wales and Victoria.

Applications are processed on a 'first in' basis. Applications close 30 September 2013 in New South Wales and Victoria, and 31 October 2013 in Queensland.

Loans of up to \$650,000 can be secured, at an interest rate of 4.5%, by farmers who are facing financial difficulties. Call us on 02 6686 3000 to check your eligibility, or read more at [Grant Alerts and Updates August 2013](#).

# Losing it! Making the most of your losses

**No one in business likes a loss at the end of the financial year.**

**Most of us have grown up on the mantra 'brackets are bad'.**

**Recent changes however might soften the blow by giving you access to a cash refund from the Australian Tax Office (ATO).**

Australia might have been a shining economic light in the global community maintaining an average growth rate of around 3% during the financial crisis, but for many the resource boom boosted GDP headline was hiding a different picture. This year has seen a record number of business bankruptcies and a higher than usual level of debtors reaching a business-related debt agreement. For others, the brackets around the bottom line number are a result of high growth.

Whatever the reason for loss, new rules offer a way for many businesses to offset tax they have paid in previous years against current year losses. In effect, you can carry-back your losses.

## How do the loss carry-back rules work?

Prior to the introduction of the loss carry-back rules, companies could only carry forward their tax losses to deduct against taxable profits made in future income years, subject to meeting a few tests. The new rules give companies the ability to choose to carry-back up to \$1m of certain tax losses rather than carrying them forward (limited to the company's franking account balance for that year).

In most cases, the rules apply when a company carries-back a tax loss that is made in the current income year. From the 2014 income year onwards, losses can be claimed against tax liabilities of either of the two previous income years. However, in the 2013 income year it will only be possible to claim current year losses against the company's tax liability for the 2012 income year.

So, if your company is likely to be in a loss position for the 2013 income year and paid tax in the 2012 income year, we encourage you to send in your tax return information as soon as possible as the company may be entitled to a cash refund from the ATO.

Let's look at an example: Company A is eligible to access the loss carry-back rules. In 2013/2014 they make \$500,000 and pay tax of \$150,000. In 2014/2015 they make \$2m and pay tax of \$600,000. In 2015/2016, they make a loss of \$5m.

Company A can choose to carry-back \$1m of the tax loss incurred in 2016. This equates to \$300,000 of tax payable. While there are a number of options for carrying back the loss, the most likely approach is to carry-back \$500,000 of losses to each of the 2014 and 2015 income years. This would produce a refundable offset of \$300,000 and the company would still carry forward \$4m of losses to future income years. A much better cash flow position for the company with \$300,000 extra to use.

The losses are claimed in the company's tax return.

## Do I have to carry-back losses?

The loss carry-back rules are not compulsory and don't automatically apply. You can choose whether to carry-back losses to prior income years as you see fit. This means there is no requirement for losses to be carried back to the earliest eligible income year or for the earliest losses to be carried back first. So, companies can choose:

- Whether to claim a tax offset under the carry-back rules;
- How much of the losses from the current year or prior year to carry-back; and
- To which year or years to carry a loss back.

## Who can access the new rules?

Like most tax benefits, there are a number of conditions to be satisfied:

- You need to be a corporate tax entity;
- You have a tax loss from the current year or carried forward from the preceding income year;
- You have an unutilised tax liability for the preceding income year or the year before that;
- You have lodged all your tax returns for the current year and each of the previous five income years;
- You have a positive franking account balance at the end of the current year; and
- You do not fail the specific loss carry-back integrity rule.

Also, there are a few types of losses that are not eligible such as capital losses, losses created by excess franking credits, and some types of losses transferred between companies so call us on 02 6686 3000 first.

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## When you finally reach retirement, it's good to know that you'll be comfortable, with all your affairs in order

**Retirees June and Trevor Martin owned a number of successful farming and business enterprises in their 30-year history as clients.**

All through their business lives Collins Hume have been there to help them with their retirement planning and to make the most (and least) of tax situations which have arisen as a result of their activities.

Starting with a stone fruit and avocado farm at Bangalow, they soon expanded to a styrene box business when Trevor found the closest box supplier for their produce was located in Bundaberg!

Running the fruit and box businesses simultaneously, June and Trevor then built a factory and moved their equipment to Ballina with trucks servicing the Northern Rivers and South East Queensland.

Then, when they were supposed to retire in 1997, Trevor and June went and bought a macadamia nut farm on 109 acres with 30 acres of nuts and 3,000 trees which they held for 12 years – not everyone's idea of a relaxing retirement!

When they sold the nut farm, they invested the funds into a commercial property through a 'tax-free' trust structure that Collins Hume set up for them.

Throughout all the years of hard work, building up, and buying and selling businesses, June and Trevor never neglected preparing for retirement and had the foresight to have Collins Hume help set up their self-managed super fund way back when they weren't so popular. Since then, Collins Hume have kept the administration of their fund ticking over properly.

"[John Collins](#) and [Peter Fowler](#) looked after us," says June. "Collins Hume set up our super fund when the previous government introduced a system to put money into a pension account with no tax. We had a commercial building so we set up the fund and also transferred it into super. All tax free!"

"Despite all the changes to super over the years, we have been kept up to date by Collins Hume. Our investments have come and gone throughout all our business activities which have meant tax implications for us – that's what Collins Hume are for."

"They also arranged with a local solicitor to update our Wills," Trevor says. "And they managed to have the tax bill reduced significantly when we sold our box factory."

These days June and Trevor are well and truly retired, with June enjoying plenty of time in her beautiful garden and Trevor keeping a keen eye on the local beef cattle sales, "They've always been a good sounding board for our business decisions and managing our retirement assets."



### Thought about Succession Planning?

Succession planning is a very personal thing for most business operators. But you need to consider what you want to achieve from the business, including:

- Creating a legacy and/or providing inheritance
- Developing the business so you can move on to another business
- Getting the business ready to sell and retire
- Options for exiting your business
- Possible partner buy-out
- Introducing a new partner / shareholder into the business, and then exiting
- Handing on the business to another family member to run, or appointing an external CEO to run it
- Negotiating a trade sale with a competitor or large organisation
- Developing the business to undertake an IPO to list on the stock exchange

These are some of the questions that need to be considered in planning a succession strategy for business operators.

If you would like to have a discussion with us relative to your own succession planning, please do not hesitate to contact us on 02 6686 3000.

## How an annual legal check-up can help

### One area that many business people overlook is having an annual consultation with their commercial solicitor

There are many areas where the law affects the good operation of your business. Many operators receive assistance with the development of strategies for their business from marketing consultants, operational consultants and their accountant.

One area that many business people overlook is having an annual consultation with their commercial solicitor to ascertain whether their business is complying with all of the laws, and to ensure they are aware of any recent court decisions or changes in the interpretation of the law which may affect their business operations.

There are a large number of laws which affect all businesses. By having an annual meeting with your commercial solicitor, you have the opportunity to update your knowledge as it relates to your business. This also enables your commercial solicitor to gain better understanding of your business operations, thus encouraging your commercial solicitor to be mindful of contacting you during the year if they notice any developments in the law that may have an effect on your business operations.

## Lifetime value of a customer

### Businesses need to ensure that there is ongoing education of their team on the lifetime value of a new customer

Customers represent repeat business. Repeat business equals profit. Businesses need to install appropriate systems so every customer becomes a lifetime customer.

Many businesses find that, with good service, a customer will stick with them for 7-10 years. If you assume that the lifetime value of a customer is seven years on average, multiply the average sale by the number of times you expect to see the customer each year, and then multiply the projected annual sale by the number of years expectancy for 'lifetime value'. This will give you an idea of what the customer's potential worth is to your business.

One of the most effective ways to market your business is to increase the number of visits your long-term customers make to your business. To develop lifetime value of customers, consider implementing a referral system, where current customers are encouraged to refer new people to your business with an appropriate incentive given to referees. How do you develop lifetime customers?

- Improve your referral system, perhaps even formalising it
- Provide outstanding customer service to encourage them to become 'lifetimers'
- Create a database of customers; offer them outstanding service and keep improving your service levels
- GO THE EXTRA MILE! Offer special events and promotions that compel your customers to say "WOW!"



### New faces and fond farewells at Collins Hume

The turning of a new financial year has brought about some changes in personnel at Collins Hume.

After being with Collins Hume for over 10 years, Estelle has decided to take time out to see the rest of Australia. We wish her and her partner Rob bon voyage during their travels around our wide, brown land.

And to venture into her own business, Jessica will be leaving us to start Elite Bookkeeping & Administration Services. Jess will remain closely linked with Collins Hume as the soon-to-be Mrs Fowler.

Joining our team are Kylie and Rebecca who step into PA and receptionist roles respectively.

Having been with us for a relatively short time, you may have already had the opportunity to speak with or meet our newest team members who are still settling in and getting to know our clients. Please make them feel welcome if you do have the good fortune to meet them over the phone or next time you're visiting our Ballina office.

*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.*

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# Adequately prepared for securing a loan to grow your business?

## Funding is crucial when trying to start or expand your business

Sometimes cash resources might not be enough to adequately fund projects or asset purchases in your business, so you may need a loan to take the next 'big jump'.

If you are thinking of finance as a strategy to kick-start your business, the most important thing you can do is properly prepare with our four tips to help you secure a loan and get your business plans underway:

- Starting a new or running an existing business will always be a risk, no matter how sound your original idea. A multitude of risks exist in today's business environment so work with an accountant with proven ability to **accurately assess risk** and **protect you from vulnerabilities** inherent in your enterprise. An effective risk management strategy will improve performance, allow you to achieve your goals and protect your business value.
- Supplying proof of **secondary income** to cover repayments should your business need to endure a quiet period provides reassurance to your lender and financial stability to your business.
- Your credit rating is the most influential factor in obtaining a loan, so check your **credit history** before submitting your final application. Researching this is simple enough, with a range of agencies and services available to help you know your position in advance.
- It's not always about numbers when it comes to applying for a loan, which is why it's good to also make a **personal connection** with your lender. If you don't have a relationship with a lender, work in conjunction with your accountant who can attest to your reliability and good character.

When thinking of borrowing, remember the 5 C's to ensure you have them all in order before trying to obtain a loan: Capital, Capacity, Collateral, Conditions and Character.

By taking steps to ensure you are prepared, you can increase your chances of getting a loan.

A wide range of business financing options exist, all with their own pros and cons. At Collins Hume we know the financial market, and have the experience to assist you in securing the best financing option for your business goals. We can ensure you give your business the best possible chance of obtaining finance by preparing a pre-lending application package.

Let our experienced team of experts explore with you the best financing options to get your business closer to its goals, starting with our pre-lending package. Call us today on 02 6686 3000.



## Work-life balance tipping the scales the wrong way for business owners

New research has found a lack of work-life balance is proving a major issue for half of small to medium business owners, with 88% of respondents experiencing significant challenges in running their business, and 49% citing balance being a key problem between work and home.

- One quarter listed **completing tax forms correctly** to avoid fines as a key concern
- 24% were worried about keeping on top of **debtors and creditors**
- **Lack of flexibility** to work at a pace and style that suits them was concerning for 10% of respondents, perhaps due to the 'wearing of many hats'
- Approximately 75% wanted the ability to **access work files out of the office**

Collins Hume concurs with the proposition that business owners need to consider using cloud services and mobile devices so they can work at a place and time that suits them, and champions work / life balance to help ensure that you don't overlook it.

Talk with us on 02 6686 3000 about how cloud accounting can enhance your business by freeing you up to focus on the important things.

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