

Q3 2017

BUSINESS MATTERS

Strategies
for managing
your business



INSIDE:

- Improving internal communication
- Simpler BAS from 1 July
- Checklist for new workers
- Changes to workplace laws
- And more

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Passing on the family business

Transitioning a family business to the next generation can be an incredibly confronting process.

Stepping back from your business is a big move and can be quite difficult if there isn't a solid plan in place. Succession planning helps to ease the process. A strong succession plan reduces the risk of interfamily disputes and can ensure the strength of your business continues well into the future.

Consider the following when preparing your business' succession:

Well defined plan

A formal succession plan can help guide your business through a smooth transfer of control. Involve family members in business succession planning discussions and foster a collective family vision early on.

It is important to be realistic when choosing successors; don't expect family members to take over if they have no interest in the business. Think strategically about the skills, knowledge and experience required for the future success of the business and co-ordinate family members to roles appropriately.

Once you identify the successors, you will need to decide on levels of management, control and shares of ownership. If you have more than one successor, you will

need to decide on whether ownership and management will be equal and if your management team will include non-family members and so forth.

Start early

Frequent and open communication is key for removing tension and promoting a healthy transition. Be sure to communicate your succession plans to your staff as well as successors. Potential successors need to be introduced to the business as early on as possible. Training successors years in advance helps to teach them key business skills and processes required to run the business. It also gives them an opportunity to form relationships with important clients and key stakeholders long before succession is implemented.

Financial and legal issues

A major part of succession planning is accounting for the financial and legal issues that arise with the handover of the business. Business owners need to evaluate their options, such as the decision to sell or gift the business to family members, whether a trust needs to be set up as part of the succession and so forth. They will also need to address the tax implications upon sale or transfer of ownership, and in circumstances such as death and divorce.

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Simpler BAS from 1 July

As of 1 July 2017, the ATO has reduced the amount of information needed for the business activity statement (BAS).

Small businesses with a GST turnover of less than \$10 million will use Simpler BAS as the default reporting method. These businesses will only need to report total sales, GST on sales and GST on purchases.

Simpler BAS will reduce time spent on form-filling and making changes that do not impact the final GST amount.

The ATO will automatically transition eligible small business' GST reporting methods to Simpler BAS from 1 July 2017. Small businesses can choose whether to change their GST bookkeeping software settings to reduce the number of GST tax classification codes.

There are no changes to reporting frequency or how other taxes are reported on your BAS. Business owners are still required to keep usual BAS records and income tax return lodgments.



Improving internal communication

Internal communication can mean the difference between having a team that thrives or plummets.

Businesses with effective internal communication experience higher levels of productivity, have stronger working relationships and a positive workplace culture. Here are a few ways to ensure effective internal communication in your workplace:

Regular check-ins

Regular communication processes, such as a daily huddle or weekly conference call are effective in planning

ahead, discussing progress on projects and problem-solving. Making communication habitual ensures all employees are kept aware of what is happening in the business and are on the same page. Providing regular updates to employees also helps to save time searching for information and allows them to get involved in discussions about business changes and future plans.

Flat organisational structure

Hierarchies can be detrimental to effective communication. A flatter organisational structure means there are reduced layers of management between staff and senior management. Flat structures can result

in faster communication and lower misunderstandings. Another big advantage is that rules and regulations are less complicated which can lead to fewer conflicts.

Team activities

An essential element of successful teams is a strong sense of community. Creating opportunities for employees to get to know each other by incorporating team based activities and activities outside of work, i.e., business events and celebrating birthdays can help to foster closer teams.

Checklist for new workers

Employers need to be aware of their responsibilities when hiring new staff to ensure they are complying with workplace laws and for their business to continue to succeed.



Here are three things to consider before hiring new workers:

Understand your legal obligations

Employers must familiarise themselves with the National Employment Standards that cover the maximum weekly hours, flexible working, leave (annual, parent's/ carer's, compassionate, community service, parental, long service), public holidays, notice of termination and redundancy pay and the Fair Work Information Statement.

Determine whether the worker will be covered by a modern award or enterprise agreement and be sure to pay the right pay rates and entitlements. Employers are also responsible for providing a healthy and safe working environment for staff and must adhere to anti-discrimination and equal employment opportunity legislation.

Pay slip and record keeping

One of the first steps of hiring a new worker is determining whether they are an employee or contractor, as this will affect super and tax treatment. Employers need to register for Pay As You Go (PAYG) straightaway to withhold tax and should check if they need to register for payroll tax in their state or territory. If you are providing fringe benefits for the employee, you will need to register for FBT. You will also need to check if the worker is eligible for superannuation.

Offer of employment

Writing a letter of offer is usually the best way of offering employment after the initial verbal offer. Be sure to include a copy of the Fair Work Information Statement, company policies (i.e., code of conduct, social media, uniform policies), and forms that need to be completed such as a tax file declaration and super choice form.

ATO targeting fringe benefits tax

The ATO has fringe benefits tax (FBT) in its sights this tax time with a crackdown on employers that are deliberately avoiding or minimising their tax payable.

The specific areas of focus include:

Motor vehicles

Situations where an employer-provided motor vehicle is used, or available, for private travel of employees. This constitutes a fringe benefit and needs to be declared in the fringe benefits tax return (if lodgment is required). There are circumstances where this may be exempt, i.e., where the entity was tax exempt or the private use of the vehicle was exempt. Some employers fail to identify or report these fringe benefits or incorrectly apply exemption provisions.

Employee contributions

The Tax Office is focusing on situations where employee contributions that have

been paid by an employee to an employer are declared in both the fringe benefits tax return (if lodgment is required) and the employer's income tax return. Focusing on this issue helps to ensure that the employer does not fail to report these contributions as income in their income tax return and that the employer does not incorrectly overstate employee contributions in their fringe benefits tax return to reduce the taxable value of benefits provided.

Non-lodgment

Employers who provide fringe benefits must lodge a fringe benefits tax return unless the taxable value of all benefits has been reduced to nil. Common errors include failure to identify fringe benefits provided and incorrect calculation of benefit values or reduction amounts.

Employer rebate

The ATO is cracking down on employers that apply for a fringe benefits tax rebate when they are not eligible. Rebatable

employers are certain non-government, non-profit organisations.

Car parking valuation

The validity of valuations provided in relation to car parking fringe benefits is also under ATO scrutiny. Errors that attract the Tax Office's attention include:

- market valuations that are significantly less than the fees charged for parking within a one kilometre radius of the premises on which the car is parked
- the use of rates paid where the parking facility is not readily identifiable as a commercial parking station
- rates charged for monthly parking on properties purchased for future development that do not have any car park infrastructure
- insufficient evidence to support the rates as the lowest fee charged for all day parking by a commercial parking station.

Changes to workplace laws

The start of the new financial year has seen some important changes to Australia's employment laws.

Not only do employers need to remain up to date and aware of amendments but they must also ensure they continue to meet their obligations to remain compliant. Employers must check their payroll systems and staff are implementing changes, and that pay slips and records are updated appropriately.

Below are some of the changes that took effect from 1 July 2017:

Penalty rates

Changes to the penalty rates in some awards for the hospitality, restaurant and retail industries started from 1 July 2017. The changes to public holiday penalty rates commenced in full from 1 July 2017. In the Restaurant and Fast Food Awards, changes to the evening work and after midnight penalties also started on 1 July 2017.

The changes to Sunday penalty rates are being phased in over three or four years from 1 July 2017, depending on the award and the employment type. Sunday rates in the Restaurant Award will remain unaffected by the changes.

Increase to the National Minimum Wage

The Fair Work Commission (FWC) announced a 3.3 per cent increase to minimum wages, raising the National Minimum Wage to \$694.60 per week or \$18.29 per hour. The 3.3 per cent increase applies to employees that get their pay rates from the national minimum wage and a modern award. The increase only applies to some registered agreements.

Employers must ensure the new minimum wages are applied from the first full pay period on or after 1 July 2017. So if your business pay week is Thursday to Wednesday, then you will need to pay your employees the new rates for all the hours they work from Thursday 6 July.

High-income threshold for unfair dismissals

From 1 July 2017, the high income threshold increased from \$138,900 to \$142,000 per annum. The high income threshold refers to the maximum earnings an employee can be paid and still be allowed to make an unfair dismissal claim (unless they are covered by an award or enterprise agreement).

The Fair Work Act 2009 deems an employee's annual rate of earnings as employee wages, any amounts applied or dealt with on the employee's behalf, such as salary sacrificing, and the agreed value of any non-monetary

benefits, i.e., a car, mobile phone, laptop, etc. The high-income threshold excludes reimbursements such as meal allowances or living away from home allowances, statutory super contributions, commissions, overtime (unless it is guaranteed) or incentive-based payments and bonuses.

The maximum financial compensation limit is now \$71,000. Employers should exercise caution when calculating whether their employees are earning above or below the high income threshold and whether a modern award or enterprise agreement applies to an employee.



Secrets to hiring the right team

All too often, employers hire new staff that turn out not to be a great fit for the business.

You need to consider your interview process when hiring. Adopt the following strategies to ensure you hire the right person.

Attitude trumps skillset

Employers will see two names and preference the one with more qualifications, regardless of the 'gut feeling' they get about the interviewee with fewer qualifications.

You can't train attitude but you can train individuals to develop the technical skill set to fill the position. Hiring employees that are adaptable, focused, willing to work hard and as a team is much more time efficient than trying to instil these qualities into individuals.

Ask existing employees

Ask existing employees with a similar job description what they expect of the future employee. While you may have a job description in mind, your existing employees probably have a different insight to you as

to what the job requires. Another benefit of involving existing employees in the decision making process is that it allows you to see how they will interact together. If an existing staff member who has proven to be a valuable member of the team advises against hiring a particular candidate, there is probably a justifiable reason.

Alignment of values

Hiring a team whose values align with those of the business is essential. If your team doesn't share similar values; they won't be able to represent your business in a way that is going to attract the right customers. You should have complete trust in your team, and this is much more easily achieved where values and integrity align.

Ask the right questions

The way you pose your questions will either allow for or diminish the chances of interviewees responding genuinely. Ask existing employees what kinds of questions you should ask. Consider the skills you think are valuable to the position, and

questions you think will assess whether the interviewee possesses that skill. For example, if you value problem solving, ask questions on how they have resolved issues in previous occupations. If you value self awareness, ask questions regarding weaknesses they have and how they have been developed into strengths.



Essential qualities of successful business owners

Owning a business is not going to guarantee you success or wealth. There are specific qualities required in order to be valued and respected as an employer, qualities that will allow your business to flourish.

Consider the following qualities essential for successful business owners.

Passionate

To be successful, you need to be passionate. Running a business takes a lot; a lot of time, energy and money. There will be sacrifices you have to make to succeed and if you aren't passionate about what you do, chances are your health will suffer.

Organised

Being organised will help you create a successful business. Being able to track elements such as finances, growth strategies, employee performance, etc. will assist you in owning a prosperous business.

Integrity

Being known as someone with integrity is extremely important for business owners. Being honest and trustworthy will hold

you in good favour not just with clients and other businesses, but with your employees too. When people feel that you are a good person, you are more likely to have employees that want to work hard for you and customers that will seek you out and stay with you long term.

Resilient

Running a business won't always be smooth sailing. Things will go awry sometimes and there will be obstacles you will be faced with. People who are resilient will not be defeated by these challenges; they are flexible and fast thinking, and can adapt quickly.

Knowledgeable

Successful business owners will be knowledgeable, not just about their business but about their industry. They will understand what happens at each level of the business and they will know what their competitors are doing. They will have a strong business plan that they are constantly improving upon. And they will always be learning new things and new ways of developing their business.

Important tax dates

28 JULY

Pay Q4, 2016-17 instalment notice (form R, S or T).

Super guarantee contributions for Q4, 2016-17 - employers must make contributions to funds by this date

21 AUGUST

July 2017 monthly activity statement - due date for lodging and paying.

28 AUGUST

Lodge and pay Q4, 2016-17 Superannuation guarantee charge statement - quarterly if the employer did not pay enough contributions on time.