

Q2 2017

# BUSINESS MATTERS

Strategies  
for managing  
your business



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## Managing morale through change

*Adapting to change is essential for business survival. And as much as some try to resist it, most change is inevitable. Therefore, managing change is a key skill for business owners.*

Every business will come across change in some form throughout its lifespan. Workplace changes such as new policies and procedures, restructuring, or emerging financial issues are unavoidable, and ultimately, affect staff members, management, and the overall business.

Although many changes can present as opportunities for business growth, not all changes will be received favourably among employees. Major changes to the current workplace environment can have negative effects, particularly on managers who are implementing the changes and affected staff members.

Here are three ways business owners can manage staff morale through major workplace changes:

### Communicate effectively

Open and honest communication is critical in managing staff through periods of change. To avoid the rumour mill, address issues with staff as early on as possible and respond to employee concerns promptly. Informing your staff members about the changes taking place or occurring, and how and when they will be implemented or addressed can help to ease employee stress and alleviate uncertainty.

### Create a positive environment

Major workplace changes can cause tensions to arise, and subsequently, productivity and output can suffer. A great way to rebuild performance is to encourage widespread acceptance of the change through workplace design and practices. Employers can create a positive environment by implementing team-building activities, celebrating staff achievements, and organising regular briefings to discuss concerns, etc. Emphasising the benefits that the change will have on both the business and staff members will also help to transform negative perceptions from staff members.

### Provide extra support

Employees will have different reactions to change - some may feel vulnerable and visualise worst-case scenarios, whereas others may embrace change. It is important for business owners to recognise this and understand the impact change can have on staff health and productivity.

Offering resources to staff, i.e., support groups and counselling services, can help employees cope throughout the change process. Additional resources should be provided for employees with increased workload or responsibilities to avoid employee burnout. Managers should also encourage employee feedback and open discussions between all employees and management.

## Common traps at tax time

*With tax time creeping up preparation is essential, particularly if you want to minimise your tax bill.*

Having everything in order this tax time will help prevent falling into common tax traps that could see you or your business losing money. Avoid these mistakes to prevent any nasty surprises:

### Incorrect paperwork

One of the most common mistakes when it comes to doing taxes is mistakes on the paperwork. Errors such as recording your name, bank details, date of birth and tax file number incorrectly can deem your paperwork false and could hinder your tax return process. These mistakes are easily avoided but commonly made. Double check everything.

### Guesswork

Guessing your tax deductions can be dangerous. It is in your best interest to take the time to accurately calculate tax deductions. The best way to take the guesswork out is to file all paperwork relating to tax, such as buy and sell contracts and proof of purchase receipts. Develop a filing system that works for you and keep a record of all income expenses as they occur.

### Failure to declare

Failing to declare can be extremely detrimental to your business and can lead to auditing. Ensure you are accurately declaring all business activity and disclose any capital gains to avoid being hit with unwanted penalties. If you feel

you have declared incorrectly, you may submit a voluntary disclosure to reduce these penalties.



## ACCC compliance priorities for 2017

*The Australian Competition and Consumer Commission (ACCC) has named its key enforcement and compliance focuses for 2017, including misleading and deceptive practices, anti-competitive conduct and unfair contract terms affecting small businesses.*

The ACCC launched their 2017 Compliance and Enforcement policy in February detailing the industries and issues on its hit list. Among their priorities are unfair contract terms, cartels, and misconduct in the health, construction and agriculture sectors.

One of the major areas of focus is unfair contracts, following the introduction of new laws in 2016 to protect small business. The new legislation was introduced so that large companies can no longer have unilateral terms in their standard contracts that put small businesses at a significant disadvantage.

The health sector is also in the watchdog's sights as the ACCC continues to work with the private health insurance industry to improve compliance with Australian Consumer Law.

The ACCC has also established a new

commercial construction investigation unit to focus on competition issues and fresh concerns about anti-competitive conduct in the commercial construction sector.

The consumer watchdog will also broaden its scope of work in relation to consumer guarantees. In particular, the ACCC will be looking at the application of consumer guarantees to both complex products and services. There will be consideration and investigations into practices in the airline, telecommunication and motor vehicle industries to ensure compliance.

## Changes to penalty rates

*From 1 July 2017, changes to current penalty rates will come into force affecting the retail, fast food, restaurant, pharmacy, and hospitality industries.*

According to the Fair Work Ombudsman, changes are as follows:

**Retail:** Sunday rates from 200 per cent to 150 per cent and 175 per cent for permanent and casual employees respectively. Public holiday rates from 250 per cent to 225 per cent and 275/250 per cent to 250 per cent for permanent and casual employees respectively.

**Fast Food:** Sunday rates from 150 per cent to 125 per cent and 175 per cent to

150 per cent for permanent and casual employees respectively. Public holiday rates from 250 per cent to 225 per cent and 275 per cent to 250 per cent for permanent and casual employees respectively.

**Restaurant:** Public holiday rates from 250 per cent to 225 per cent for permanent employees and casual employees remaining at 250 per cent. The 15 per cent after midnight penalty will apply to hours worked between midnight and 6:00am (instead of 7:00am).

**Pharmacy:** Between 7:00am and 9:00pm, Sunday rates from 200 per cent to 150 per cent and 225 per cent to 175 per cent for permanent and casual employees

respectively. Public holiday rates from 250 per cent to 225 per cent and 275 per cent to 250 per cent for permanent and casual employees respectively.

**Hospitality:** Sunday rates from 175 per cent to 150 per cent for permanent employees and casual employees remaining at 175 per cent. Public holiday rates from 250 per cent to 225 per cent and 275 per cent to 250 per cent for permanent and casual employees respectively.

While changes in rates are set to apply from 1 July 2017; the Fair Work Commission is adopting a transitional approach when implementing the changes for Sunday rates.

## Applying the small business restructure rollover

*Small business entities can change the legal structure of their business without incurring an income tax liability, following the introduction of the small business restructure rollover in July last year.*

Small businesses may choose to restructure their business for various reasons, i.e. to minimise tax and compliance issues, raise new capital or to provide greater asset protection.

The rollover applies to the transfer of active assets that are CGT assets, trading stock, revenue assets or depreciating assets. Active assets are assets used or held ready for use, in the course of carrying on a business.

To be eligible for the rollover, the transfer of assets must form part of a genuine restructure as opposed to an artificial or inappropriately tax-driven scheme.

The ATO considers a 'genuine restructure of an ongoing business' as one that could be reasonably expected to deliver benefits to small business owners in respect of their efficient conduct of the business. The following features are indicative of a 'genuine restructure of an ongoing business:'

- It is a bona fide arrangement undertaken in a real and honest sense to facilitate growth, innovation, and diversification; adapt to changed conditions; or reduce administrative burdens, compliance costs and/or cash flow impediments.
- The economic ownership of the business and its restructured assets is maintained.
- The small business owners continue to operate the business through a different legal structure. For example, there is:
  - continued use of the transferred assets as active assets of the business
  - continuity of employment of key personnel, and
  - continuity of production, supplies, sales or services.

In addition, to meet the requirements for the rollover, the transaction must not result in a change to the ultimate economic ownership of transferred assets.

The ultimate economic owners of an asset are the individuals who, directly or indirectly own an asset. Where there is more than one individual with ultimate economic ownership, there is an additional requirement that each individual's share of ultimate economic ownership is maintained.

Discretionary (family) trusts may be able to meet the requirements for ultimate economic ownership, for example, when there is no practical change in which individuals economically benefit from the assets before and after the transfer.

Family trusts may meet an alternative ultimate economic ownership test where the trustee has made a family trust election, and every individual who had ultimate economic ownership of the transferred asset before the transfer, and every individual who has ultimate economic ownership after the transfer, must be members of the family group relating to the family trust.

Business owners must seek proper advice to ensure resettlement does not occur and the associated potential flow on tax consequences.

Although the rollover presents an opportunity for small businesses to change their legal structure without income tax consequences, there may still be potential liabilities to consider prior to restructuring, such as stamp duty and GST. If you are considering restructuring your business, seek professional advice.

## Are your website costs tax deductible?

*The ATO has provided business owners with further guidance on the deductibility of website costs in a recent Taxation Ruling.*

The Tax Office considers a commercial website as a website which is used in the course of a business, irrespective of whether it is used directly to produce income. This does not include software provided on the website for installation on the user's device.



Hardware, the right to use the domain name, and content available on or incorporated into a website that has independent value to the business are considered separate from a commercial website.

The tax deductibility of a website depends on whether the expenditure on a commercial website is revenue or capital in nature under section 8-1.

Examples of expenditure which are tax deductible in the year incurred include:

- Periodic operating, registration and licensing fees
- Expenditure incurred in maintaining a website
- Modifications to a website that add minor functionality or make minor enhancements to existing functionality
- Domain name registration fees and server hosting costs
- Maintaining a social media presence and updating content mainly for marketing purposes
- 'Off-the-shelf' software that is licensed periodically

Costs that are 'capital' in nature are generally claimable over a number of years. Examples of capital expenditure include:

- Labour costs that are directly referable to the enhancement of the profit-yielding structure of the business
- 'Off-the-shelf' software products where the product provides an enhancement of the profit yielding structure of the business
- Acquiring or developing a commercial website for a new or existing business
- Modifications resulting in structural advantage
- Extended or new functionality

### In-house software

Expenditure that is not deductible under section 8-1 may be 'in-house software' and deductible under the capital allowances regime or the simplified depreciation rules for small business entities.

If the expenditure on in-house software is incurred through developing computer software, the expenditure may alternatively be allocated to a software development pool and deducted in accordance with the pool rules.



## Managing your GST liability

*Occasionally, business owners will need to make changes to their net GST liability for any given reporting period.*

There are one of two circumstances where changes are required:

- needing to make an adjustment, or
- an error on your business activity statement (BAS).

### Making adjustments

Making changes to net GST liability will mean revising your business activity statement accordingly. The ATO refers to these changes as 'adjustments' and recognises two different types:

- **Increasing adjustments** are those made when GST payments increase in a reporting period
- **Decreasing adjustments** are those made when GST payments decrease in a reporting period.

There are a number of instances where an adjustment will need to be made, such as:

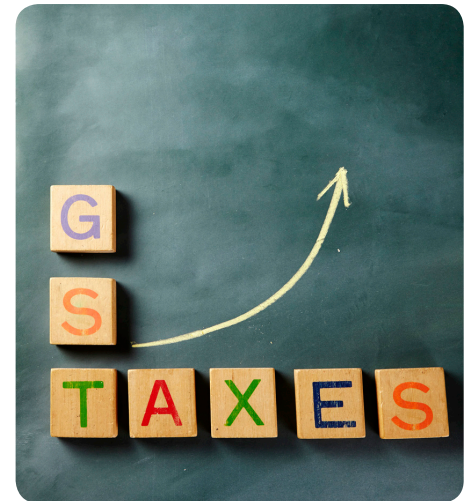
- A taxable sale or a purchase made is cancelled, such as the return or refund of a product.
- A sale changes from taxable to no longer taxable and vice versa, such as in exporting.
- A taxable sale or purchase made changes in price, such as a rebate.
- A purchase changes from creditable to non-creditable and vice versa.

### Correcting errors

GST errors include mistakes made when establishing the GST net amount on your BAS. Mistakes, could for example, result in a credit or debit error. The ATO recognises possible credit or debit errors as:

- Recording GST sales more than once
- Misrepresenting GST on sales or the GST credit on a purchase
- Failing to report accurately a decreasing or increasing GST adjustment.

If a GST error has been made on a BAS, correcting these errors on a later activity statement rather than revising an activity



statement with errors is easier. Generally, this will involve no extra penalties and no general interest charge as long as you are not subject to a compliance activity and the same error has not been corrected elsewhere.

In addition, credit and debit errors must be corrected within the credit/debit error time limit. Debit errors must not be a result of intentional disregard of GST laws, and the net sum of error/s must be within debit error value limit.

## Growing your business with livestreaming

*With video marketing here to stay, why not take advantage of live streaming to grow your business?*

Livestreaming is the ability to broadcast live straight to the internet through social media platforms. It is a tool that has been adopted by savvy tech-heads and it is powerful when reaching out to clients and building your customer base.

With over one billion users on Facebook and five hundred million Instagram users, why not take advantage of the ability to boost your business through livestreaming and gain a competitive edge?

As a marketing strategy tool, livestreaming is impressive; it's fast, it's easy and it's cost-effective. Livestreaming allows you to speak directly to your clients in real time. It does not require teams of individuals working on a marketing campaign; writing, proofing, designing and editing are not present in this process, saving you and your business time and money.

It is personable. Livestreaming is real. Customers can put a face to the name and can relate on a more human or intimate level to your business. The nature of livestreaming is fun; it gives customers an

opportunity to see a side of your business they simply would not get to see just from visiting your website or following you on social media.

Take your customers behind the scenes, show them what goes into product development and allow them to be a part of the process. They will feel like they know your company and this is where trust can be built.

Using Facebook as a livestreaming platform gives you instant feedback. Data on the number of viewers and how long they are tuning in for are just some of the benefits that are not available as readily through any other marketing platform.

To use livestreaming effectively, consider the following:

- Keep it natural and avoid reading from scripts. This helps remove barriers and allows the viewer to feel like you are talking directly to them.
- Have a plan. Know what topics you are going to discuss to avoid awkward air time.
- Promote. Get the word out there about when you will be going live to maximise viewers.

### Important tax dates

#### 21 APRIL

March 2017 monthly activity statement – due date for lodging and paying.

#### 28 APRIL

Quarterly activity statement, Q3, 2016–17 – due date for lodging and paying.

Quarterly instalment notice (form R, S or T), Q3, 2016–17 – due date for payment.

Super guarantee contributions for quarter 3, 2016–17 – employers must make contributions to the fund by this date.

#### 21 MAY

April 2017 monthly activity statement – due date for lodging and paying.