

2014 Spring Edition



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With the Commonwealth Games behind us, it's time for many of us lose our calm personas and barrack madly for our teams across a host of winter sports, even more so if they are lucky enough to make the grand finals.

From an accounting perspective, it is a time where we are madly preparing tax returns and talking to business owners about the next 12 months and encouraging a review of a number of business processes that may have gone unchanged for long periods. Being open to change is so very important in an era where change is the 'new norm'.

With larger corporations still shedding significant numbers of employees to survive, and many disappearing altogether, perhaps now is the time you have been thinking about taking control of your own

destiny and establishing your own business. As experienced professionals, we are here to help you start out on the right foot, on your way to achieving long- term business success.

Hopefully in reading this newsletter we can introduce some Spring-time thoughts that will help you continue to see your family and business blossom throughout this new financial year.

We hope you enjoy the newsletter, and if you are yet to make an appointment to prepare your 2013/14 returns, time is ticking!

Reminder of Important Tax Changes from 1st July 2014

Medicare Levy

The Medicare Levy rises from 1.5% to 2%.

2% Defecit Levy

The new 'Defecit Levy' (tax on high income earners) applies to taxable income in excess of \$180,000. Tax rates for the 2014/15 income year are as follows.

Taxable Income \$	Taxable Payable \$
\$0-18,200	Nil
\$18,201-37,000	Nil + 19% of excess over \$18,200
\$37,001-80,000	\$3,572 + 32.5% of excess over \$37,000
\$80,001-\$180,000	\$17,547 + 37% of excess over \$80,000
\$180,001+	\$54,547 + 47% of excess over \$180,000

The above rates do not include the Medicare levy of 2%

Superannuation

- The compulsory employer paid super contribution (SGC) rises from 9.25 to 9.5% of your ordinary earnings.
- If you earn less than \$37,500, the government may contribute up to \$500 as part of the Low Income Super Contribution (LISC) scheme, calculated and contributed when you lodge your income tax return (but be aware that the government plans to abolish the LISC scheme, however legislation has not yet been passed through Parliament).
- The general concessional superannuation contributions cap rises from \$25,000 to \$30,000. For individuals aged 49 or over on 30 June, the contributions cap is \$35,000.
- The non-concessional superannuation contributions cap is increased from \$150,000 to \$180,000, and the three year bring forward rule increases from \$450,000 to \$540,000.

This is a summary update only, for complete details on how these changes may affect you, please call our office.

PAYG Instalments Threshold Increases from 1st July 2014

The ATO has announced changes to the pay as you go (PAYG) instalments entry and exit thresholds.

From 1 July 2014, PAYG instalment thresholds have increased, which means that some taxpayers no longer need to pay instalments.

The entry and exit thresholds for:

- Business or investment income will increase from \$2,000 to \$4,000;
- Adjusted balance of assessment will increase from \$500 to \$1,000;
- Notional tax will increase from \$250 to \$500.

There will no longer be a requirement for entities registered for GST to remain in the PAYG instalment system, if they have a zero instalment rate.

The ATO says that if taxpayers no longer meet the entry rules, they will automatically be exited from the PAYG payments system. It will send a letter to notify tax agents of a client's automatic withdrawal. If they want to continue to pay instalments towards their end of year tax liability, they can voluntarily re-enter the PAYG system.



Online Dispute Resolution Service for Small Business

Small Business owners can find it difficult to locate alternative and appropriate dispute resolution sources. The Minister for Small Business, Bruce Billson, launched Dispute Support, a new online dispute resolution information and referral tool from government, aimed at supporting small business owners in a dispute. 'Dispute Support is a simple to use online tool to help small businesses to identify the most appropriate low cost dispute resolution service.'

There are existing dispute resolution services available to help SME business owners resolve disputes without going to court. However, for small business owners it can be difficult to find

alternative dispute resolution services and to work out which one is most suited to their needs. Dispute Support also provides information on understanding and managing disputes and tips to help avoid disputes in the future.

Dispute Support, was developed by the Australian Small Business Commissioner, Mark Brennan, in conjunction with representatives from state and territory governments, including the state Small Business Commissioners. It is available via the Australian Small Business Commissioner's website at www.asbc.gov.au/dispute-support.

Small Business – A Partnership That Works

From a business plan to company formation, loan application to government audit, we can make life easier for you at each step.

If you've started working on a business plan (something no new business should be without), coming up with those numbers is a daunting task. First, you have to find out how much it will cost to get your company off the ground and where that money is coming from - without enough start-up cash, your business may not even make it past the planning stage. Involving us while you're writing your business plan, will help you create a business plan that's realistic, professional and more likely to succeed.

We can explain the legal business structures available and help you choose the one that best suits you. Not all businesses have the same legal structure - there are different types that are determined by a number of factors.

Business structures include limited companies, limited liability partnerships or corporations, sole traders or proprietors. You should carefully consider each type before deciding which one best suits you. For example, you may do business as a sole trader or sole proprietor, working on a self-employed basis and invoicing under your own name. If this is the case, you might be able to offset some of your living expenses against tax. However, this also means you could be held personally liable for any

business-related obligations. If your business fails to pay a supplier, defaults on a debt or loses a lawsuit, the creditor could legally come after your house or other possessions. With a limited liability company structure, it's different. As the name suggests, the liability of the business is limited to the assets owned by the business, not you personally (though there may be exceptions in some circumstances).

Once your business is up and running, you'll find many more opportunities where an accountant is invaluable. From creating more useful reports to going over the numbers with you to helping you make plans for next month or next year, having your accountant available to walk you through the finances helps to free up your time.

As a small business owner, no doubt one of the things you like best is that you have control. You can set your own working hours, regulate your workload (at least to some extent) and determine your own finances, and being the master of all of these things is a wonderful and liberating feeling. But the downside is that often business owners can feel overworked and overstressed.

Having us deal with the paperwork will remove a huge headache-producer from your life.

If you are feeling overwhelmed, please call us to discuss where there may be areas we can help make your life easier.

Is Your Most Important Asset in Your Balance Sheet?

What is the easiest way to increase your business valuation for sale, and give your business the best competitive advantage in a crowded market?

A Client Relationship Management database (CRM).

If you ask a CEO, what is their most valuable business asset, you will likely get a variety of answers including people, trademarks, and brands. The value of their CRM database is often overlooked.

Why does a CRM database make so much difference?

- It provides potential buyers of your business with valuable metrics

Can you prove how many successful transactions you have had over the past week, month, or financial year? Can you demonstrate your conversion rate and critical path to convert each client? According to the National Australia Bank, the main reason most people buy a business, rather than commencing one, is because of the established infrastructure and ongoing cash flow. Therefore, accurate business metrics are critical to proving your business's growth, success, and ultimate value. A CRM will provide you with metrics on many aspects of your business, from sales and marketing, to projected income.

- It allows potential buyers of your business to predict the future (almost!)

The value of your CRM when selling your company, is in its ability to enable your potential buyers to use your existing data to project forward. Whilst a CRM is obviously not a clairvoyant, for the purpose of selling your business, a well maintained CRM will give your potential buyers a reasonable basis for projection by looking at your existing clients, contacts and leads, and your past performance. Prospective buyers can also see your pipeline of prospective deals and get a reasonably accurate expectation of projected revenue.

- It controls data, your most valuable asset

Most importantly, your CRM controls your customer and lead data. Without a doubt, data is your most valuable asset. For many service-based businesses, there is no inventory for prospective buyers to investigate. In this case, your customer data is your inventory. Just as an inventory management system controls stock, a CRM controls your customer data, and provides your potential buyer with peace of mind that they are buying a solid business.

Unless you have an amazing invention or intellectual property that cannot be replicated, the quality of your customer and lead database may well be your most valuable asset when you come to sell your business.

Reducing Small Business Risk

Are you putting your business at risk because you are too busy working in your business to focus on what 'might' happen?

Owners of even the smallest businesses should carry out a comprehensive risk assessment. Do you know what you would do in the case of:

- Suppliers going out of business?
- Major customers taking their business elsewhere?
- Internal or external theft?
- Data loss?
- Major environmental disaster? Or,
- Most importantly, if you are unavailable or incapable of continuing work in the business?

When a small business is dependent upon the work of one or two people, what happens in the event of their illness must be seriously considered.

Whilst individuals may be covered for income protection, ongoing business costs also need to be covered if revenue slows or ceases. Typical expenses can include rent, wages, advertising, accounting fees, business insurance, equipment leasing, phone and electricity.

Each business has its own unique expenses, and some items require special consideration, particularly if there is a personal use factor, such as the leasing of motor vehicles, mortgage payments or use of a home office. Employees may also be less productive in the absence of their employer. In these instances it is particularly important to obtain professional guidance when establishing the policy, to ensure full and correct cover in the event of a claim.

Whilst you may be busy working in your business, don't get too busy to take care of the important details. Seek professional advice about the potential risks and the protection available to suit your personal circumstances.





Reducing the Running Costs of Your Small Business

Reducing costs in your small business and creating processes that cost you less doesn't need to take a lot of time or effort. In many cases, it's about making smarter choices when deciding the most effective use of your small business dollars.

Here are 8 ideas you can consider to reduce your business costs and improve the bottom line.

1. Create and Stick to a Working Business Budget

Budgeting goes hand-in-hand with reduced business costs because it's impossible to make smart financial decisions without a clear idea of the money you have coming in and going out of your business every month. You have to be sure that you can make enough cash flow and profit from your venture so that you can cover the expenses associated with it. The only way to do that is to establish a budget. The budget gives you some control. A working business budget that you use daily can become a powerful tool for reducing your business costs effectively. Don't put your budget in a drawer and forget about it. Use it daily. Your business will run much smoother in the present and the future if you do this.

2. Use Technology

Technology allows us to save money and advance our businesses in ways that weren't possible even five years ago. From teleconference services and online payment services, to open-source software and remote desktop applications, there are many ways you can reduce business costs with technology.

3. Ditch Your Landline

Traditional telephone lines can be an expensive and sometimes unnecessary business cost. Voice over Internet Protocol (VoIP) offers online phone services, often for a fraction of the cost of landlines or cellular phones. VoIP allows you to make and receive phone calls via an online connection. Your phone will be fitted with a router or adapter that is connected to the Internet, and the calls are routed through broadband or DSL lines instead of traditional phone lines. You will have a phone number, and some providers let you keep your current one. VoIP and virtual phone lines instead of a traditional landline can reduce your business costs.

4. Go Paperless

The cost of paper, ink, mailing supplies and postage may seem minimal at times, but it can add up to a large business expense. Going paperless by not printing unless absolutely necessary, transitioning to a digital invoice and bill payment system, and filing all important paperwork on your computer instead of a file cabinet can help you reduce some of the most common recurring business costs. Being paperless means all of your important documents are digitized. You can back them up to the Cloud or access them through a remote desktop application, giving you the ability to work from a mobile office, and stay productive. It's important for every small business, and particularly those that are paperless, to have a system for backing up and protecting data off-site.

The decision to go paperless is one that varies from business to business, and it's certainly not a universal decision that is right for every company. The most important part of making the decision to go paperless is doing your research so you can decide if the benefits outweigh the challenges. Then, create a systematic process that will not only afford you the benefits of being paperless, but also help improve your productivity at the same time.



5. Market Your Business Online

If you have yet to jump on the internet marketing bandwagon, you may be missing the potential of fast-paced, high- result, low-cost marketing. You can start with a business blog, social media marketing, or other online advertising and have the potential to see a relatively quick response with minimal business costs. Make it easy to subscribe to your online marketing and you can cost-effectively build your customer database. Keep in mind that building online marketing is best approached as a marathon, rather than a sprint.

6. Explore an Alternative Place of Business

The expenses that come with having a physical place of business can be immense, and in many cases, this is unavoidable. If you are in a situation that can change, however, you may be able to reduce your business costs dramatically by downsizing your retail location, exploring a co-working arrangement, or even converting your business to a home-based business.

7. Buy Refurbished Equipment

Buying brand new, retail-priced equipment is a big business cost. Look into cheaper options available for similar furniture and equipment not marketed as 'office' specific. You can also reduce the expense by buying refurbished furniture and equipment that is often as good as the brand new variety but offered by manufacturers at a discounted price.

8. Reduce Credit Card Debt

You may be able to reduce your immediate business costs by charging business expenses to your business credit card, but with interest rates and possible fees, this is not an effective way to reduce your business costs long term. Reducing your credit card debt is not quick and easy way to reduce your business costs, but it's a smart way to make your business more financially healthy over the long term.

Each of these 8 ways to reduce business costs focuses on making an alternate decision that can save you money. If you are able to adopt a 'business cost friendly' mindset, many of these smart decisions will become second nature and eventually work their way into all of your business decisions, helping you reduce your business costs every day.

4 Secrets of Success Amid Adversity

By Ryan K. Novak, owner of Chocolate Pizza Company, Inc. U.S.A.

Adversity is a constant companion for entrepreneurs, but learning to push through tough times is a lesson sometimes harshly taught. I was 9 years old when my dad broke the unbearable news that mom had died in a crash after a man high on marijuana ran a stop sign. In an instant, my world collapsed.

Sixteen years later, I'm the owner of a million-dollar chocolate business. When I bought my hometown chocolate shop at age 21, after having started there as a dishwasher in my teens, there was just one store and no wholesale accounts. Today, Chocolate Pizza Company has five stores across four states and our products are sold

in 1,500 locations across America.

It hasn't always been easy. I know something about loss, pain, heartbreak and tragedy. I know what it is like to be angry and scared and sad. I know that some people, especially young people, never climb out of the pit that life suddenly throws them in - people who never make a future because they stay trapped in the past. But it doesn't have to be that way. We can rise above the tragedy.

My journey taught me four secrets that every entrepreneur can apply.

1. Be passionate

Faced with adversity, it is hard to dream big. Fear and anxiety can be overwhelming. Being passionate about something – anything – gives clarity to dreams, lifts our spirit, sharpens our focus and creates a vision of better times ahead. After my mom died, I learned that keeping big things in front of me kept me energized. I learned to play the saxophone, I trained to be an athlete, I traveled, studied and dreamed.

To be passionate is to be tireless, relentless and committed. My first year as owner, I was still a senior at Syracuse University. I tempered chocolate at sunrise, went to classes before lunch, made sales calls in the afternoon, packed shipments in the evening and did homework in the wee hours. I slept in the warehouse many nights. It was exhausting month after month, but passion starts where your energy fails. I graduated on time and doubled the business in my first year.

2. Find a mentor

'When the student is ready the teacher appears.'

Good mentors don't just teach; they inspire. They raise the bar not so you will fail but so you will grow, not so you curse defeat but so you appreciate gain. They do not change who you are, they change who you believe you can become.

In high school, I dreamed of being a kicker on the Syracuse University football team. I grew up 20 minutes from campus and love the Orange. But with no training all I could do was not quit on my dream. Enter Coach Paul Woodside who believed as much in my heart as in my foot.

He broke me down, called me out and challenged me. He sugar-coated nothing but in his honesty I anchored my quest. He rebuilt me from the inside-out and taught me that kicking, like life, is more will than skill. A freshman walk-on, I made the SU team.

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3. Make a promise

My mom's death was devastating. I know what it feels like to have the bottom fall out of your life. But recovery starts with a promise.

On the day she died, I made a promise that she would be proud of me. I could not bring her back, but I could make her proud. So I work every day to keep that promise – it is part of who I am and it drives me, pushes me.

Science is also on my side. Studies confirm that verbally committing to something programs our mind to hold to that obligation even if it is difficult or dangerous. We take ourselves very seriously. Refuse to become a tragic epilogue to whatever setback interrupted your life. Make a verbal promise to yourself, to God, to someone you respect or love but commit to moving forward.

4. Outwork everybody

Dreams are a chassis but sweat is the fuel. Imagine a Ferrari in the driveway – nice to look at, but without gas, it sits idle. Success is earned by tuning out the noise and leaning into the stone.

Every banker told me I was too young to own a business. People said I would fail. I ignored them all – never let others define your dreams. I did whatever it took. I am the first one in and last one out. I knocked on corporate doors, sold from a table in any venue and made countless calls. It was exhausting and frustrating work and often perilously close to ruin but I loved every minute. We grew one sale at a time but we grew. In 2013, after three years as owner, we topped \$1 million in annual sales.

Life challenges us in ways we cannot anticipate, but inside those experiences are secrets that help us be not only better entrepreneurs, but also better people.



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