

Q3 2016

BUSINESS MATTERS

Strategies for managing your business



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Finding your target market

Understanding your customer is one of the most important things every business should be able to do. However, it is particularly important for small businesses.

Why? Because only by having a clear definition of the exact type of customer you are trying to reach can you make the most of your limited marketing dollars and have the biggest impact on your bottom line. You need to know your 'target market'.

Narrowing the type of customers you would most like to reach (and the kind that are most likely to be willing, eager and able to buy from you) is a key building block to success. Defining your target market gives focus to all your marketing and sales activities, helps you craft your advertising messages and images, choose where and when to advertise, influences which distribution channels you use and perhaps even helps you decide the colour of your employees' uniforms or the music playing in your store.

Knowing your target market can also help to differentiate your business from competition, tailor your marketing efforts to better meet customer needs and potentially boost sales. Having a broad target market that tries to appeal to everybody can easily get lost amongst the crowd.

When defining your target market, keep the image of an actual target in mind. Demographics alone, such as age, gender, income and occupation, do not provide enough insight into the attributes of your target customer. The outermost ring of the target is the universe of potential customers; everyone who might ever possibly be

interested in your product or service.

As you get closer to the centre of the target, focus on customers who are more likely to actually make a purchase. The group at the centre should be those you would most like to have as customers, who you can reach and sell to affordably, and who are most likely to buy.

Some of the factors to help you close in on the bull's-eye:

- **Features and benefits of your product or service:** Which group is your product/service best suited for?
- **Competition:** Is there a segment of the market that competitors are not reaching or under-serving?
- **Market trends:** Is there one part of the market for your product/service that is growing?
- **Most motivated buyers:** Which part of the market has the most immediate need or desire to buy your products/services?
- **Most ability to purchase:** What type of customer is most likely to have the disposable income to spend on your products/services?
- **Ease of reaching your prospects:** Is there part of the market that is easiest to tell about your products/services because of trade shows, media such as magazines, or other communications directed specifically at them?
- **Ease of selling to your prospects:** Are there any existing distribution channels, such as specific stores, websites, wholesalers, that make it easier or less expensive to reach one part of your market?

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New high income threshold

The Fair Work Commission has increased the high income threshold for unfair dismissals from \$136,700 to \$138,900 per annum, with effect from 1 July 2016.

Under the Fair Work Act 2009, employees who exceed earnings above the high income threshold are not entitled to make an unfair dismissal claim against their employer, 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.

Reimbursements, superannuation contributions and payments which cannot be determined in advance, such as overtime and bonuses, are not considered when calculating the high income threshold.

Employees are eligible to claim for unfair dismissal if they have completed the minimum employment period of:

- 12 months - where the employer employs fewer than 15 people, or
- 6 months - where the employer employs more than 15 people.

When considering an employee's dismissal, employers need to be aware of the new threshold and whether a modern award or enterprise agreement applies to an employee. Small business owners must comply with the Small Business Fair Dismissal Code to ensure they have

grounds to object an unfair dismissal application, in the case where a matter goes to a hearing.



Getting your BAS right

Some small businesses make simple mistakes; others just don't provide the right information. Make sure your business is not caught out by filling out your business activity statement correctly.

Here are five easy lodgement tips to help businesses save time and get their business activity statement right the first time around:

- Lodge all your outstanding activity statements. The tax office cannot process refunds until all of a business's lodgments are up-to-date.
- Make sure the ATO has your business's latest financial institution details. Without this information, the office cannot issue any of the business's refunds.
- Leave your paper statements behind and begin lodging online. If your business is already lodging online, don't send a paper copy to the ATO, as this can cause delays in processing.
- Double check all the amounts you've filled in i.e. make sure the right amounts are under the right labels; you've transferred amounts correctly to the summary section and all your additions are correct.
- Fill in the contact number and name of the person who completed the BAS. Doing so helps the ATO check any small details quickly and easily over the phone. Also, don't forget to update your authorised contacts list. If there are any problems, the office will need to speak to an authorised contact.
- To determine the business-use percentage, taxpayers need a logbook and odometer readings for the logbook period (which is a minimum, continuous 12 week period).

Calculating fuel tax credits

The Australian Tax Office (ATO) has simplified the way fuel tax credits are recorded and calculated for businesses that claim less than \$10,000 in fuel tax credits each year.

Businesses can use two methods from the March 2016 BAS period and onwards:

- Use one rate in BAS period – saving the need to use two different rates when rates change during a BAS period.
- Work out your litres based on the cost of the fuel you purchased.

Both or either of these methods can be

used, and businesses do not need to inform the ATO of the methods used.

Use one rate in a BAS period

When fuel tax credit rates change in a BAS period, you can calculate your claim by using the rate that applies at the end of the period. To work out your claim, total your litres for the period and use the rate that is current on the last day of the BAS period.

Work out your litres

To work out the total litres of fuel, use the total cost of fuel purchased in the BAS period and divide it by the average price of fuel per litre for that period. Once you

have the total litres for the BAS period, you can calculate your claim using the ATO's fuel tax credit calculator.

Business owners must support their claim with documents that show that the quantity of fuel claimed was used in their business. The ATO accepts contractor statements, financial institution business credit/debit account statements, financial institution personal credit/debit account statements, point-of-sale docket and fuel supplier statements or invoices. Businesses will need to keep records that support their claim for five years.

Setting out terms and conditions

Establishing your business' terms and conditions may seem like an onerous task among the never-ending to-do lists, but getting it right is essential for healthy cash flow.

Terms and conditions form the basis for the trading relationship on which a business sells goods and services to customers and from which they buy goods and services from suppliers. Specific terms and conditions can be the difference from chasing up late payments to ensuring your business gets paid first.

Well-drafted terms and conditions will protect a business and provide clarity as to what should happen in any given situation. Terms and conditions can also prevent disputes and save time and money on collecting debts.

While there is no legal requirement to include terms and conditions on invoices, it is highly recommended to establish written terms and conditions in case things go wrong with one party. The terms and conditions you decide to incorporate will vary depending on your business' needs but generally should include the following:

Goods and services

A clear definition of the goods and/or services that will be provided. Including a section for definitions of the words you use throughout your terms and conditions will prevent any misunderstandings or misinterpretation.

Price and payment terms

The price should be defined and must state whether GST (or other taxes) are included or not. The payment terms should outline when the payment is due and if the price is payable in cash on delivery or on pre-agreed terms.

Warranties or guarantees

Include any warranty that will be provided. The warranty period and limitations under the warranty need to be clearly explained. If you offer any guarantees, be sure to include them and remember guarantees should be provided before any goods and services are provided.

Delivery

A timeline for the delivery of goods should be detailed. Ensure to include the method of delivery and any associated

costs for delivery.

Credit

If credit is provided, include the credit terms, credit limit and any penalty or default terms. It is important to request permission to conduct a reference check to check the creditworthiness of the other party before providing credit. Remember offering credit increases your chances of receiving a late payment, or not being paid at all, so consider upfront payment or payment on delivery for customers with large payments.

Risk

Specify what will happen if either party does not deliver or pay on time. The terms should also state what notice is required to get out of an agreement or if one party wants to end the relationship.

Retention of title clause

A retention of title (ROT) clause means that the seller can retain the ownership of goods already supplied until they have been paid for by the other party. Suppliers must ensure to register their interest in accordance with the Personal Property Security Act to remain enforceable.

Eliminating hiring bias

Despite the significant advantages of diversity in the workplace, unconscious and hidden biases still exist in the hiring process.

Even the most open-minded individuals have unconscious biases that may affect their decision-making when hiring employees. However, acknowledging these biases is the first step to ensuring hiring efforts are neutral. Here are five ways employers can remove bias when deciding between candidates:



Ask for work samples

Where applicable, asking a candidate to submit work samples may predict how well they will perform based off past performance and skills. Using past work samples allows the interviewer to judge the candidate based on their work rather than factors such as gender, race, appearance, age and personality.

Use structured interviews

Structured interviews design interview questions based on job-related skills and are standardised for all candidates. For example, questions may include "describe a situation where you have participated in a team" or "tell me about an obstacle you were able to overcome in the past." Structured interviews use the same set of questions and are asked in exactly the same way and order to each candidate. This is in contrast to unstructured interviews which tend to flow like a conversation and are generally subjective.

Collaborative interviewing

Collaborative interviewing involves using multiple team members to interview candidates. This type of interviewing helps to eliminate unconscious bias and reduce

human error. Altering the interview process to include more interviewers provides a diverse range of opinions and increases the likelihood that the new hire will be a good fit.

Create an interview scorecard

An interview scorecard evaluates the qualifications and suitability of candidates based on quantitative measures, which can help level the playing field for candidates. An interview scorecard uses applicable criteria such as technical ability, leadership skills etc, and a ratings system to assess each criterion, i.e 1-5. Interview scorecards can be used to compare results between interviewers as some interviewers may be lenient on some criteria and too harsh on others.

Use gender-neutral job descriptions

"Gender-coded" language in job descriptions may unintentionally lean toward one gender than another. If your job description lists non-essential skills and qualifications, or uses masculine words such as "ambitious" or "assertive," candidates may be deterred from applying as they do not consider themselves a good fit. When writing job descriptions, separate the essential and desired qualifications, and focus on the behaviours needed to perform the role rather than personality traits.

Misleading conduct on social media

Businesses are becoming increasingly dependent on social media as a marketing tool and way to interact with existing and potential customers.

Although social media draws many benefits for businesses and customers alike; it needs to be treated like traditional forms of advertising in that comments and opinions are not false, misleading or deceptive. Business owners are responsible for the content on their pages, irrespective of who published it.

Consumer protection laws apply to social media in the same way they apply to any other marketing activities. The Australian Competition and Consumer Commission (ACCC) may require businesses to substantiate any claims that may be false, misleading or deceptive on their social media pages.

To avoid breaching any consumer protection laws, business owners should consider the following:

Do not allow misleading claims in comments

Business owners are accountable for the posts and public comments made by others on their social media pages. Therefore, it is your business's responsibility to monitor comments to ensure they are not false or likely to mislead and deceive consumers.

Monitor social media accounts

Social media pages need to be regularly monitored to ensure followers of your business's page do not post claims that could be considered false, misleading or deceptive. The amount of time you dedicate to monitoring your social media will depend on the size of your business and the amount of followers you have.

Consider establishing 'house rules' that apply to the behaviour expected from your social media followers, and ensure it is featured prominently on your pages. Followers who breach these rules should be blocked from your pages.



Responding to misleading comments

Businesses can choose to respond to false or misleading comments instead of removing them but it may not override the false impression made by the original comments. In most cases, it is safer to remove comments as soon as you become aware of them.

Changes to employment laws

The start of the new 2016/17 financial year has seen some important changes to Australia's employment laws.

Every Australian employer has a responsibility to remain up to date and aware of any amendments made to employment laws to ensure that they remain compliant and continue to meet their obligations.

Below are some important changes that took effect from 1 July 2016:

Increase to the minimum wage

Australia's minimum wage increased by 2.4 per cent, raising the National

Minimum Wage to \$672.70 per week or \$17.70 per hour. The increase only applies to employees that receive their pay rates from the National Minimum Wage; a Modern Award or a Registered Agreement (in some cases).

Superstream deadline extension

Initially, small businesses were given until the end of June to become compliant with the ATO's SuperStream system. This deadline has since been extended to 28 October 2016. SuperStream requires employers to make super contributions for their employees electronically in a standard data set. The extension provides small businesses with another four months to make the changes and ensure they are compliant by 28 October.

No CGT liability for changing business structure

Eligible small businesses can now change the legal structure of their business without incurring a capital gains tax (CGT) liability due to the Tax Laws Amendment (Small Business Restructure Roll-over) Bill 2016.

Announced in the 2015 federal budget, the bill was passed by the federal parliament earlier this year.

Small business owners will have access to an optional rollover provision when they transfer active business assets to



Important tax dates

21 July

Lodge and pay June 2016 monthly activity statement

28 July

Lodge and pay quarterly activity statement for quarter 4, 2015-16 – paper

28 July

Pay quarterly instalment notice (form R, S or T) for quarter 4, 2015-16.

28 July

Employers must make super guarantee contributions for quarter 4, 2015-16 to funds by this date.

other entities as part of a genuine business restructure of an ongoing business. This rollover provides greater flexibility for small businesses to change the legal structure of their business by allowing them to defer gains or losses that would otherwise be realised when business assets are transferred from one entity to another.