

BusinessPlus+ Newsletter



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Issue – April 2016

Working On Your Business

It's a good strategy for business owners and management to spend some time each week working ON your business rather than continually working IN your business.

We're happy to sit down with you and contribute to the information flow, to assist you in the working ON your business phase.

Items that we could contribute to the conversation include:

- Preparation of a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis on the issues that confront your business so that strategies could be determined.
- Identification of your unique competitive advantage – what are the benefits that could be developed through your unique advantages?
- What do your customers think about your business? Would you like us to be involved in organising a customer meeting and getting some comments from your customers?
- How do you compare to your competitors? What are your competitors currently doing in the marketplace? Are there any initiatives that competitors have commenced that you could basically copy?

Intellectual Property

It's a good idea to periodically review your strategies for the development of Intellectual Property (IP). IP is a major asset for many businesses however, unfortunately, it's not normally recognised in the company's Balance Sheet. Part of the IP process would be to review the protection procedures that your business has implemented, such as confidentiality agreements, assignment of IP agreements (particularly important if you're engaging contractors on R&D projects).

Would it be appropriate for a patent application to be lodged for any of your R&D?

Do you have any trade secrets? Are you using your trade secrets in your business arrangements with any customer? Have appropriate legal documents been prepared for the protection of your trade secrets?

Team

Another area that we can assist is to conduct some training courses on understanding financial accounts, KPIs, ratio analysis, benchmarking and assisting in adapting a training course to suit the peculiarities of your business.

This type of activity could be eligible for a government grant under the Industry Skills Fund. We would be happy to make enquiries for you.

Plans

All businesses need plans. Is your business plan up to date? Do you need a business plan? If you have a business plan, how long since it's been reviewed?

Does your business have a succession plan? Would you like some assistance in the development of a succession plan for your business?

Corporate Governance

Corporate governance is a very important aspect of running a business, whether it's a company or a non-company enterprise.

Working On Your Business (cont'd)

The overall corporate governance responsibilities vary little between a big company and a small company.

We could assist you relative to the organisation of Board of Directors' meetings, preparation of agenda, recording of the minutes, preparing the Action Plan from the minutes, advising key persons reporting to the Board or Management meeting on report content, from activities such as general manager or CEO, sales, marketing, production and accounting.

Financing

Financing is obviously a big issue for many businesses. If you need our assistance in discussions with your bank relative to your financial facilities, we're happy to assist.

Are you thinking of utilising the changes to the Corporations Code that the Federal government is currently processing through the Parliament for crowd funding equity raising companies? These are companies which are going to be able to raise up to \$5M per annum from the public, with an upper limit per retail investor of \$10,000 per company per annum. These types of companies will be public companies, therefore require a minimum of 3 directors.

The other type of company for which the government is amending the Taxation Laws is called "Early Stage Innovation Company" (ESIC). To be an "ESIC", the company must be under 3 years old, have turnover of under \$200,000 per annum and expenditure of under \$1M per annum. These types of companies will be able to offer special inducements to new investors. A new shareholder will be able to obtain a 20% tax rebate on their investment in an innovation company, calculated at 20% of the investment up to a maximum rebate of \$200,000. The shareholders in innovation companies will also be able to avoid Capital Gains Tax on their investment if they own the shares for more than 1 year and sell them within 10 years of their acquisition.

If you're interested in exploring the possibility of being able to raise equity capital from either of these companies, please contact us so we can keep you informed of the developments on the legislation.

Once the legislation has been passed by the Senate, we will be alerting our clients to the overall system that has been approved by the Parliament.

PPSR Due Diligence

The Personal Property Securities Act (PPSA) and the Personal Property Securities Register (PPSR), introduced by the government, are procedures that can cause financial ruin to business operators. Don't be fooled by the term "personal property". This legislation applies to "business property".

"Personal property" in the legislation is described as "all forms of property, other than real estate". This means that the "personal property" includes a vast range of business property. Unfortunately, millions of dollars have been lost by businesses that didn't appropriately register their assets on the PPSR. The difficulties within this legislation can affect the big end of town as well as small/medium enterprises. In a recent court case, a major international corporation, lost \$60M worth of assets in Western Australia that hadn't been registered on the PPSR.

If you would like us to conduct a review of your internal systems relative to the protection of your assets, please contact us.

Debtors' Management

For many businesses, debtors' management is an ongoing problem. What's your debtors' days outstanding? We would be happy to have discussions with you relative to introducing procedures that we believe will assist in reducing your debtors' days outstanding, thus improving your overall cashflow.

Business Vision

Another major project will be for you to articulate your vision for your business. Where do you want the business to be in 3 years? 5 years? 10 years? Why not write these visions down? Are there any problems and major obstacles you can foresee that you will have to overcome to achieve your vision? We would be happy to contribute to the discussion on identification of your business' vision.

As part of this process, it's a good idea for you to indicate what you believe your business is currently worth. We would then be happy to prepare our valuation based on formulas used in business valuations. Invariably, there will be a difference between the 2 figures, which is normally referred to as the "valuation gap". In many cases, business owners value the business at a higher figure than what the accountant might have done – the difference is the "valuation gap". We would then be happy to work with you in the development of a long term strategy, to assist in bridging the "valuation gap". This might be a 3-year or a 5-year plan to make improvements and changes in the business' operations so that an independent armed length valuer would value the business closer to your target valuation.

We appreciate that it's becoming difficult to sell businesses because of the sheer volume of businesses that are on the market for sale. The development of a vision and the documentation of a strategic plan to bridge the "valuation gap" and, as such, improve the overall valuation, can be very rewarding for businesses.

If you have any questions on the strategies of working ON your business so that improvements and changes can be made in the various operations of your business, please don't hesitate to contact us for a discussion.

Government Grants for SMEs

Accelerating Commercialisation Grant Update

The Australian government has announced that, in recent weeks, 15 companies were given financial assistance under the Accelerating Commercialisation grant.

Some of the products, processes or services include:

- an innovative blood test for the early detection of prostate cancer
- clinical studies required to seek international partners for a sternal protection device that will reduce trauma, bleeding, associated complication and morbidity rates during cardiac surgery
- a scanning technology for mining, enabling operators in real time to distinguish high quality material from waste rock – reducing costs and environmental impact
- a mobile and web-based software for the livestock industry, to raise farm efficiency, increase transparency in food production and improve sale yard practices
- a revolutionary roof truss tie-down system for the building industry

If you're working on the development of any product, process or service, please contact us for a discussion on the process in seeking an Accelerating Commercialisation grant.

Research and Development Registration

If your company spent more than \$20,000 in the financial year ended 30th June 2015 and you wish to claim an R&D Rebate, then it's necessary for the company to finalise registration for the 2014/15 year with AusIndustry by 30th April 2016.

If you would like us to assist you with the R&D tax incentive application, please contact us urgently.

Corporate Governance Is Important – Part 2

Appointment of New Directors

The appointment of new directors, whether it's a replacement to the retiring directors or because of a decision to expand the number of the directors on board, is an opportunity for the Chair, in conjunction with the other directors, to consider the skills mix on the Board and to identify appropriate persons to be invited to become a director.

Part of this process might include identification that the incoming director requires some special mentoring and this may involve the incoming director undertaking the Australian Institute of Company Directors Diploma Course and/or receiving specific briefings on the business activities conducted by the company, especially in "technical" areas.

New directors can really benefit by the Chair performing a mentoring role, especially in the first few months after the new director's appointment.

Director's Assessment

It's a good corporate governance practice to recognise the desirability of the Chair assessing the performance of individual directors on, at least, an annual basis. This could be an informal meeting between the Chair and the director, to review the director's perception on their performance and their understanding of the company's activities, in particular, the director's roles. This gives the Chair an opportunity to make comments relative to the director's performance.

For example, some companies have noted that some directors attend meetings without giving any indication that they have read the Board reports prior to the meeting or attended to the action items that were allocated to them from the previous meeting.

The Chair performing a mentoring role could inquire whether the director has too much on their plate, as companies require their directors to be diligent in the performance of their duties.

If a director is deemed not to be performing to a satisfactory level, the Chair will need to exercise consideration, care and empathy in advising the director that perhaps he/she should be considering their position on the Board of Directors and, if they're unable to perform their duties to a satisfactory level, he/she should resign. This is a far better way of handling these types of issues than going to a formal director's vote to request a director to resign.

Tax Hot Spots

Small Business Restructure Rollover

From 1st July 2016, the Federal government has passed the Small Business Restructure Rollover. This rollover allows a small business to change structures and defer all gains or losses on Capital Gains Tax (CGT) assets, trading stock, revenue assets and depreciating assets, as part of a genuine restructure of an ongoing business. This rollover extends and improves on previous rollovers which tended to focus only on the CGT assets with additional hurdles to allow for non CGT assets and the deferral of gains and losses.

Tax Hot Spots (cont'd....)

CGT Withholding Regime

The CGT Withholding Regime applies from 1st July 2016 and, whilst initially targeted at foreign residents, it applies equally to Australians. This will require all purchasers of land to withhold 10% of the purchase price on account of the vendor's potential capital gain and remit this to the ATO. This 10% withholding is required if the market value of the asset is greater than \$2M so will exclude the majority of residential sales, however will have impacts on finance and cashflow for vendors and bank loans. A vendor is able to apply to the ATO beforehand for a document that will allow for the 10% to be paid to the vendor, not the ATO, if certain conditions are satisfied.

Treatment of Corporate Losses

The ability to claim tax losses is set to become easier as the "same business test" is becoming more flexible and more like a predominantly similar business test, unlike the prior test which required it to be virtually identical. For example, if a company with losses was sold to a purchaser, previously that purchaser would have to carry on business in the same fashion and same manner as the previous owners, even if carrying on business like that is the reason it was losing money. This change will now allow the purchaser to keep what is essentially the same business, but make changes and improvements to become a profitable business and also enjoy the tax losses to reduce any future taxable income. The issue is that the new rules only apply to losses made in the current and future years and consideration of when the losses incurred is essential.

Protecting Your Business From A "Time Bomb"

A real "time bomb" from businesses is undoubtedly the Personal Property Securities Act (PPSA) and the associated Personal Property Securities Register (PPSR). Businesses have lost assets through ignorance of the law. A wide range of business activities have been affected, including:

- the owner of \$60M worth of electrical generating equipment
- motor vehicles and trailers
- cleaning equipment and products
- stock
- assets that have been hired
- machinery owned by one company and hired to another company within the same group
- cabinet maker caught by the preferential payment demand by liquidator and also for not registering assets in someone else's premises
- considerable losses have been incurred by hiring and renting businesses
- significant loss in excess of \$400,000 to a business hirer due to the mix-up of the terminology "grantor" or "grantee"

These are just a small snapshot of some of the problems that have affected very large international businesses operating in Australia, as well as small/medium enterprises.

Whilst it's voluntary to make registrations on the PPSR, failure to do so can be very costly indeed and, in some instances, can lead to business failure.

If you would like to have discussions with us relative to the implementation of an appropriate system for your business and ongoing reviews of the effectiveness of your internal system, please don't hesitate to contact us.

If you would like to view the webinar presentation on "PPSR – how do you protect your business", [click here](#).

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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