

# BusinessPlus+ Newsletter



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## Issue – May 2017

### Crowd-Sourced Funding Commences 29th September 2017!

Crowd-Sourced Funding Offer Documents will be able to appear on intermediaries' websites from 29th September 2017, thus starting a new era in sourcing of finance for small/medium enterprises, inventors and entrepreneurs.

The legislation, which was finalised in the Senate recently, enables "Unlisted Public Companies" to raise up to \$5 million from the "crowd" every 12 months. Proprietary Limited Companies can convert to an "Unlisted Public Company".

There is a significant amount of preparation work required by a company which aspires to raise capital utilising the Crowd-Sourced Funding Procedure. The work includes:

- Market review and the preparation of a marketing plan.
- Intellectual property summary relative to intellectual property assets owned by the company.
- Corporate chart relative to directors, management and team.
- Business plan summarising the director's vision for at least the next three years.
- Budgets and cashflow forecasts relating to the business' vision as outlined in the business plan.
- Company valuation and determination of a share price.
- Information memorandum.

If you are interested in being one of the first companies to raise capital utilising Crowd-Sourced Funding the work program will probably have to commence now.

If you would like to have a discussion with us about the assistance that we can give you firstly to determine whether you are eligible to be classified as a Crowd-Sourced Funding Company and then discussing the requirements of the legislation relative to the company, directors, officers and managers as well as an outline of the duties, responsibilities and powers of intermediaries please contact us for a discussion.

### Leadership Thoughts

- Leaders need to:
  - be consistent in dealing with individual members.
  - be competent, enthusiastic and committed and do what they say they will do.
  - set a good example by leading through their actions.
- Leaders setting the example:
  - "People listen with their eyes"  
(it's not what you tell me to do but what I see you do that influences me)
- Leaders setting the example:
  - "I cannot hear what you are saying because what you "are" is thundering in my ears"  
African proverb  
(the "are" refers to human behaviour such as perception, genuineness, honesty, trustworthiness and approachability)

## Extension of the Taxable Payments Reporting System

The Australian Taxation Office currently requires businesses in the building and construction industries to report the total payments they make to each contractor for building and construction services each year.

This is due to the long-running issues with these industries and the issue of on *“a Friday they are an employee but an independent contractor on Monday”* and the significant leakage of GST and income tax revenue through the tax system from people who prima facie are considered to be employees in all but name.

As the economy is growing and changing, many businesses are feeling cost pressures and in some cases allegedly pushing the boundaries of what is “legal” in order to reduce costs and liabilities.

In last week’s Federal Budget the government announced the extension of the *“Taxable Payments Reporting System”* to contractors in the courier and cleaning industries because of recommendations from the *“Black Economy Task Force”*. The government indicated that there is a belief from the Australian Taxation Office that some businesses operating in these industries have become a source of revenue leakage of GST and income tax revenue.

It will be interesting to see how far the government plans to extend the *“Taxable Payments Reporting System”* in the future and how effective the reporting system is in collecting GST and income tax.

The other area that will be closely watched is the *“data matching and cross sharing of information”* between the Australian Taxation Office and the State/Territory based authorities to check if the correct information is being reported as part of Workers' Compensation Payroll Declarations.

Another concern for State/Territory authorities relates to whether payroll tax is being correctly calculated based on businesses' payrolls.

Does the *“cross sharing of information”* mean that the information is then being provided by the State/Territory based authorities to the Australian Taxation Office for crosschecking?

If you are experiencing any difficulty relative to the declarations that are required to be submitted to the ATO and the State/Territory authorities please do not hesitate to contact us for a discussion.

## Capability Statements Are an Important Document

Many businesses are finding that when tendering for new work or having discussions with a new customer they are being asked to submit a “Capability Statement.”

Why are Capability Statements important?

A Capability Statement is a business document or record of individual and organisational competencies, achievements, associations and accreditations. The purpose of a Capability Statement is to communicate clearly and effectively to potential partners, stakeholders, suppliers, customers and even employees about a business and its capabilities.

A Capability Statement is an essential document for organisations looking to secure *“supply chain opportunities”* and for subcontract work as it provides procurement staff in government or private organisations with key specific information about an organisation that will assist the procurement staff to make a decision on whether they should grant a contract to a particular business.

A well written Capability Statement will help a business differentiate itself from its competitors, helping to reinforce a business' track record, capabilities and value proposition in the minds of existing and potential new customers.

Ultimately, a high impact Capability Statement can help a business to thrive by maximising the business' chances of winning more work. If you would like some assistance in the development of a Capability Statement, please contact us.

## Supply Chains Are Everywhere

“Supply Chains” are everywhere and the supply chain is the fundamental structure of trading inputs both horizontally and vertically. The classic definition of a supply chain is that *“a supply chain consists of all parties involved, directly and indirectly, in fulfilling a customer request”*. (Chopra, Sunil and Peter Meindl,2004)

In a business context, a supply chain not only includes a manufacturer and suppliers, but also the transporters, warehouses, retailers and customers themselves. Supply chains are dynamic and involve the constant flow of information, product and funds between different stages.

Within each organisation, such as a manufacturer, the supply chain includes all functions involved in receiving and fulfilling a customer's request. These functions include, but are not limited to, new product development, marketing, operations, distribution, finance, inventory control and customer service.

In the supply chain the project proponents are looking to do business with organisations that possess the capability and capacity to provide the goods and/or services which are required as part of its supply chain to help maintain its internal operations and also to complete and deliver their proposed projects.

## Supply Chains Are Everywhere (cont'd...)

The fundamental key to success in identifying supply chain opportunities lies in an organisation's ability to understand the concept of supply chains and what is required to become an eligible supplier, but more importantly, it is to understand where their organisation sits on the supply chain, who their customer is and what they may need to do to meet their customer's requirements.

All of this information will be crucial in helping a business to develop a targeted capability statement specific to your customer.

Remember that opportunities through supply chains for businesses can either be "direct" (e.g. tendering for a project opportunity to win a contract to become the prime contractor or lead supplier) or "indirect" (working with the lead supplier who has a contract as either a subcontractor or supply arrangement) thus providing all businesses a chance to be engaged and involved in the supply chain.

## Can You Differentiate Your Business?

An important and ongoing task for management is to ensure that you can differentiate your business from your competitors. When you are developing a Capability Statement you need to be writing it so that you will "stand out from the crowd."

This requires a business to have a "clearly defined competitive advantage" that differentiates you from other competitors. You need to regularly communicate the key points of your differentiation to your customers and your prospects.

A "competitive advantage" is what distinguishes your business from the competition in the minds of your customers. All businesses need to have a clear "competitive advantage" and regularly communicate this to your customers and prospects.

To determine your competitive advantage you need to know three key determinants. These are

- what does your business do well?
- what does your competitor do well?
- what do your customers want?

The following model explains three key zones:

- winning zone
- losing zone
- risky zone!



Have you been able to determine the "competitive advantages" for your business?

- **Winning Zone:**  
"Clear point of difference" that meets your customer's needs – your aim should be to make this advantage bigger!
- **Losing Zone:**  
"Your competitor meets your customer needs better than you do". You will be crushed!
- **Risky Zone:**  
"Extremely competitive battleground". Must compete utilising innovation, emotion and superior execution.

The model has three circles that list out the key aspects that create the various zones.

The first circle represents "*what your business does well*".

What does your business do well in the provision of your product/service offering to your customers and prospects? Every business should be able to list out the key advantage or benefits of their offering. You need to be honest and then identify what your competitor does well.

The other key question is what do your customers want? To create real differentiation you need to be doing things better than what your competitors are doing and being very conscious of what your customers' requirements are and making sure that you exceed your customers' requirements.

Why not complete the model and identify your "competitive advantages" and honestly assess whether your business is doing enough to "differentiate itself from your competitors."

If you would like us to assist you in this evaluation please do not hesitate to contact us.

## Government Proposing That Proprietary Companies Will Be Able to Participate in Crowd-Sourced Funding

The Australian government has released an “exposure draft” which would enable “Proprietary Companies” to participate in Crowd-Sourced Funding.

The Crowd- Sourced Funding Legislation which enables Proprietary Companies to be converted to Unlisted Public Companies goes live on 29th September 2017.

If the legislation proposed in the “exposure draft” is passed by the Parliament that legislation would operate from six months after the legislation receives royal assent. This would mean that the commencement date for Proprietary Companies being able to utilise Crowd-Sourced Funding for capital raising without having to convert to an Unlisted Public Company would be in March/April 2018 at the earliest.

Key items contained in the “exposure draft”:

- Proprietary Companies which wish to participate in Crowd-Sourced Funding would be known as “CSF Proprietary Companies”;
- CSF Proprietary Companies would require a minimum of two directors;
- Auditors will be required to be appointed if the CSF Proprietary Company has raised in excess of \$1 million;
- CSF Proprietary Companies will be able to exceed the 50 shareholders cap;
- There will be additional reporting obligations for CSF Proprietary Companies;
- The requirements for Crowd-Sourced Funding Companies relating to:
  - maximum capital raise in a 12 month period of \$5 million
  - maximum investment that a retail investor can make of \$10,000 in a 12 month period per company
  - retail investor protection
  - intermediaries acting as the “gatekeepers” for the legislation
  - group sales to be under \$25 million per annum
  - The value of group assets to be under \$25 million
  - will also apply for the CSF Proprietary Companies

The Crowd-Sourced Funding Legislation applies to companies operating in any type of business. If you are interested in having a discussion with us to explore the opportunities that the current legislation offers, which requires a Proprietary Company to be converted to an Unlisted Public Company with this type of entity being able to raise capital from 29th September 2017, or if you wish to discuss the possibilities to raise capital as a Proprietary Company without having to convert to an Unlisted Public Company subject of course to that legislation being passed by Parliament with a commencement date of around March/April 2018 being our best estimate at this stage, please contact us for a discussion.

## Temporary Skill Shortage Visa Introduced

The government has announced that the "457 Visa" would be abolished and replaced with a completely new “Temporary Skill Shortage (TSS) Visa” which the government has said will support businesses in addressing genuine skill shortages. We will give you more details on the TSS Visa next month.

### 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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<sup>i</sup> State of Queensland, Department of State Development, September 2016