

# BusinessPlus+ Newsletter



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## Issue – October 2018

### Are You Planning To Sell Your Business?

From the moment you acquire or commence a business you should assume that one day you'll want to sell or merge your business with another business. To enable the best possible return, you should always keep the business in a "saleable state". If you decide to sell your business today and want to list it for sale in 6-weeks' time, most probably, you'll not be giving yourself enough time to maximise the potential return. Ideally, the best way to sell the business is over a 2 - 3 year period. This period will allow enough time to fine tune the financial results and ensure that appropriate systems and records have been put in place to enhance the value of the key intangible asset in the business – goodwill.

Goodwill is an intangible asset. This means that its value is in the "eyes of the beholder". Whilst your personality, skills and marketing ability have been important in the establishment of the business, when someone looks to buy your business, they ask:

- Can the business function without the present owner?
- If the present owner was not there, will a lot of the customers go elsewhere?
- If the present owner is not there, will the experienced loyal staff remain with the business?
- If the present owner is no longer involved, will the suppliers continue to supply products and services at the current negotiated rates?

Purchasers will probably ask about the "business systems" that have been implemented. "Systems" mean that the business can continue to operate without the direct involvement of the owner.

If you are contemplating preparing your business for sale, we suggest that you prepare a detailed summary of the Organisation Chart together with details of the tasks allocated to each individual team member, so that the delegation system within the business can be demonstrated to a potential purchaser.

It's a good idea to undertake a "preparation for potential sale review". This could include:

- Are there repairs and maintenance that should be undertaken within the building/plant and equipment?
- Is the business' website up-to-date with interesting articles included?
- Is your social media strategy working efficiently?
- Has a team member been delegated the responsibility of being involved in the management of social media for your business?
- Has your business renewed or updated agreements with suppliers so that your business is receiving products on the best possible terms?
- Is the system for the control of research and development being reviewed and is it functioning efficiently?
- Who is responsible for monitoring the development of intellectual property within the business – has the intellectual property been documented and if appropriate is consideration being given to applying for a patent to protect that intellectual property?
- If you are going to sell the business, will the sale price include all of the intellectual property that has been developed and is currently being used in the business?
- Have you implemented a cyber security system?
- Do you have a detailed customer list?

All of these items make a contribution to the overall evaluation of the business for the determination of the value of goodwill.

There are literally thousands of businesses available for sale in Australia at present as a consequence of "baby boomers" exploring the opportunity to sell their businesses and to retire. There doesn't appear to be as many enthusiastic buyers as what there are sellers.

If you would like to have a discussion with us about how we can assist you to prepare your business for sale, please do not hesitate to contact us.

## **Crowd Sourced Funding Commences Available At Last!**

When you consider your business strategy, do you think about your business being in a completely different position to what it is today? This might mean that your business could be identified as:

- A fast-growing ambitious business.
- A company wanting to expand.
- A company wanting to acquire other businesses.
- A business with an owner/manager with a “big audacious idea”!
- A CEO with an exciting vision!
- A company with debts that the directors would like to repay, save interest and enable the security that has probably been supplied by someone else, to be released.
- A company with a succession problem that an injection of new capital would assist in sorting out!
- A company with a new product, process or service that does not qualify for Early Stage Innovation Company Capital Raising status because of the company’s age, turnover or expenditure being higher than the specified amounts.

There are probably some other characteristics of businesses or companies that would like to do something different.

You now have the opportunity of starting on a very interesting journey, if you wish to implement strategies that might relate to one of the above-mentioned characteristics of business activities that could encourage a business owner or company directors to seriously think about availing yourself of the opportunity of being able to raise capital direct from the public.

The long-awaited amendments to the Corporations Act to enable Crowd Sourced Funding Equity Raising to be utilised by small proprietary companies becomes operational from 19 October 2018.

A small proprietary company that has annual group turnover of less than \$25 million and group assets valued at less than \$25 million, that is not listed on a stock exchange anywhere in the world, is potentially able to raise up to \$5 million and then raise a further \$5 million in the following 12- month period, if the company wishes and obviously if the market supports the company. For the first time small scale investors will have the opportunity of investing in small proprietary companies subject to an investment of \$10,000 in a 12-month period per company from an individual retail investor.

If you would like to have a discussion with us about raising capital as a Crowd Sourced Funding Company, please do not hesitate to contact the accountant in our firm with whom you normally deal.

## **Business Growth Plan For 2019**

- Frustrated with the way your business is performing?
- Working too many hours for little reward?
- Can't get everyone to see where you want to take your business?
- Have you developed a team training programme for 2019?
- Does the team training programme cover all aspects of your current business and your proposed business operations?
- Are you in the right marketplace?
- Have you set an achievable goal?
- Do you have a “big audacious project”?
- Why is your business different?
- Do you have a sensible 12-month action plan?
- Does your leadership team drive customer service innovation?
- Do you communicate with your customers and ask them for their feedback?
- Has your team developed the right mindset for selling?
- Does your team sell with purpose?
- Does your business create and give value?
- Does your business have a personal leadership development plan in place for 2019?
- Are your debtors' days outstanding around 30 days?
- Are you satisfied with your debtors' management system?
- Is your workplace “safety alert”?
- Do you employ casual staff? Have you considered the effect on your business of the Federal Court's decision on backdating holiday pay for casual staff?
- Are your business' Human Resources and Workplace Health and Safety Manuals compliant?
- Are you developing new intellectual property within your business?
- Have you implemented strategies to protect the intellectual property that is being developed within your business?
- Have you enough money to finance your business operations and your proposed operations?
- Have you considered the opportunities now available for proprietary companies to be able to raise capital from the public?

These are some of the issues that could be explored in undertaking the development of a business growth plan for 2019 for your business. If you would like to have a discussion with us relative to the development of a plan tailored to your business, please contact the accountant in our firm with whom you normally deal.

## **Export Market Development Grant Application**

A reminder that if you are an exporter or an Australian business that is directly promoted to overseas residents e.g. hotels and tourist industry operations, a reminder that, if you wish to lodge an Export Market Development Grant Application for the year ended 30 June 2018 the grant application has to be lodged by 30 November 2018.

If you would like to have a discussion with us on any aspect of the preparation and lodgement of the grant application, please contact the accountant you normally deal with in our firm.

## **Taxable Payments Annual Reports (TPARs)**

Taxable Payments Annual Reports (TPAR's) have been around for quite a few years in the building and construction industry, however this regime is now being extended beyond the construction industry. Traditionally TPARs have been targeted on the building and construction industry due to the perceived non-compliance of small businesses for not declaring income on tax returns or GST on Business Activity Statements and allows the ATO to lodge default income tax return assessments and Business Activity Statement assessments with the information provided, if the taxpayer does not meet their lodgement obligations.

Due to the success and perceived improved compliance by taxpayers, the ATO has extended this regime to cover the clearing, courier and IT industries with changes in employment patterns whereby people are hired less regularly as employees and, more commonly, as sole traders via an ABN. These obligations apply from 1 July 2018 and, as such, businesses in these industries will need to lodge a TPAR every year by the 28th of August each year. These reports will need to include payments that are made to contractors for providing services to a business and include subcontractors, consultants and independent contractors regardless if they operate as a sole trader, company, partnership or trust and the information provided is fairly simple and are currently the Australian Business Number, the name and address of the business and the gross amount paid to them for the financial year including any GST.

Once reported, this information is provided to the tax agents of taxpayers for inclusion into the taxpayer's return and Business Activity Statements or also used for data matching with a tax return, once provided to the ATO, to ensure all the income tax and goods and services tax obligations are met. If the Taxable Payments Annual Report is not lodged on time, the Australian Taxation Office is able to apply penalties of up to \$1,050 per late lodgement, depending on a taxpayer's lodgement history compliance. Non lodgement of TPARs is being used by the ATO as reasons for not granting approval for payment plans for outstanding taxation debts.

## **Casual Conversion**

A "casual conversion" is a clause that appeared in a number of modern awards administered by Fair Work Australia.

The "casual conversion clause" enabled any employee, who had met a certain pre-requisite, to have the ability to convert their employment from casual to permanent or permanent part-time.

The "casual conversion clause" generally introduced a timeframe of 6 or 12 months at which date the employer was required to advise an employee, who was engaged on a casual basis, that they have the right to elect that their employment can be permanent part-time or full-time. Recent developments in a Court Case have highlighted the necessity for employers to communicate about the casual conversion to an employee in writing and to ensure that the employee has replied in writing. The employee's decision should be noted in the employee's file.

What are the consequences of not informing employees that they have the opportunity to apply for conversion from casual employee to either permanent full-time or permanent part-time?

In a case considered by the Full Bench of the Federal Court the court considered a situation where an employee, who had worked for the employer for 7 years on a casual basis, but under an award that had a conversion clause was awarded a significant amount of money. The court decided that the employer had not communicated in writing with the employee and that the employee was not aware of the opportunity to apply to convert to a permanent employee. It was indicated that the employer had talked to the employee but the verbal discussions were never recorded in writing. The court ruled that the employer had to pay the employee the equivalent of 6 years of annual leave and 6 years of public holidays.

In August 2018, Fair Work Australia announced that the "casual conversion clause" would be inserted into 84 modern awards and that the new system would become operational from 1st October 2018.

Jordan Lowry, Managing Director of Blackstone Business Group, an expert in human resources and workplace health and safety issues made the following comment *"The key thing for employers is to make sure you achieve compliance and ensure that you have maintained appropriate records of the invitation being issued to an employee to participate in the "casual conversion" and that the employee's response is recorded in writing and placed in the employee's file"*.

Jordan Lowry also indicated "Employers should check their awards and, if your award is 1 of the 84 awards that have been modified, make sure that you are familiar with the award and that appropriate diary notes are made as to when the timeframes (6 months or 12 months) will occur for individual employees and then make sure that a discussion is held with that employee at the appropriate timeframe and that the discussions are recorded in writing with a copy being forwarded to the employee". The "Financial Review" has reported that "many workers like the flexibility of being paid a 25% or so casual pay loading in return for not getting permanent employment benefits such as annual leave". "The evidence shows that many Australian workers, even those employed in a reasonably regular basis, prefer to take the extra money up front". Jordan Lowry has indicated that he is happy to undertake a complementary review of the position for your business. Jordan Lowry may be contacted on: jordan@blackstonebg.com.au or you can review the company's website at [www.blackstonebusinessgroup.com.au](http://www.blackstonebusinessgroup.com.au).

## Entrepreneurs' Program Helps Companies Move From "Good" to "Great"!

The Entrepreneurs Program is offering Australian small/medium sized companies and incorporated trustees of a trust assistance to enable them to achieve their potential – moving from "good" to "great"! Eligible applicants are able to request a comprehensive, confidential and independent business review to be conducted by an Entrepreneurs' Program Business Advisor at no charge to the business. The Entrepreneurs' Program Business Advisors work with the client to review the business activities to identify solutions that are sustainable for the future. The identified solutions can then be implemented by the business engaging a consultant to assist in this process. The government supplies a grant of up to \$20,000, on a 50% subsidy basis, to assist the business in financing this work.

The government has identified specific industries that will be eligible for this support:

- Advanced Manufacturing
- Food and Agribusiness
- Medical Technologies and Pharmaceuticals
- Mining Equipment, Technology and Services
- Oil, Gas and Energy Resources
- Enabling Technologies and Services – this is for businesses that provide inputs or services to drive business growth or improve business competitiveness in any of the above industries from the following industry groups:
- Freight and Logistics
- Infrastructure Related Construction and Services
- Information and Communications Technologies
- Digital Technologies
- Professional Services

The Entrepreneur' Program also provides other services including:

- Supply Chain Facilitation  
This is where a consultant, employed by the government, approaches bigger firms to find out who are their service/trade/product providers and then conducts a "gap analysis" to determine where the service providers could improve their services to the bigger companies thus improving the overall performance of the service/trade/product providers' business.
- Research and Development  
The government has identified that many small/medium enterprise businesses do not have the required skills in house to enable advanced research and development projects to be conducted. The government has employed "innovation connections facilitators" whose role is to identify companies that are undertaking research and development and then assist them (if the business requires assistance) to identify researchers who could undertake work projects to assist in the research and development tasks. A grant of up to \$50,000, on a 50% funding basis, is available for this work.
- Knowledge Connect Group  
The Entrepreneurs' Program has team members who can assist in identifying the best type of software, equipment, type of staff etc., that a business might require to enable the business to go to the next level. If you believe that your business would benefit by an analysis by the Knowledge Connect Group you could contact the Entrepreneurs' Program on 132846.

### 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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