

BusinessPlus+ Newsletter



INDEX

Single Touch Payroll Now Applies to All Employers!.....	1
Disclosure of Business Tax Debts - On the Way	1
Manufacturing Modernisation Fund - A New Grant	2
Management Accounts Give More Information.....	2
Who Is Your Ideal Client?	2
CRM Systems Help	3
Reducing Debtors' Days Outstanding	3
Improving Stock Turn	4
Reducing Investment in WIP	4
Export Market Development Grant Application Deadline Approaching.....	4

Issue – September 2019

Single Touch Payroll Now Applies to All Employers!

Single Touch Payroll is being enforced for every business that has payroll for employees. It has been operating for nearly 2 years, with the 2019 financial year being the year it was compulsory for large employers and 2020 financial year being the year it was compulsory for everybody. This system is basically connecting the Australian Taxation Office (ATO) with every employer who then provide the ATO with details on every pay to every employee each pay period including superannuation amounts.

The system works via software which is fairly basic. However in practice, every software provider now has to provide the ability for an employer to be able to have a system which report this information to the ATO for each employee but different software providers have different methods of achieve this interaction. The issue is not so much for the employers to deal with, because the ATO has been working behind the scenes with every software provider so they incorporate this into the platform. From 1 July 2020 the ATO will use this information to prefill the W1 and W2 information on the Business Activity Statements (BAS) for businesses that lodge activity statements.

Single Touch Payroll was implemented to deal with a host of issues that the ATO and government are taking a greater interest in, particularly the provision and payment of superannuation, the interaction between transfer payments from the government to individuals for the various benefits they can access and also child support issues. It is an efficiency drive to better connect parts of the economy which previously were not connected or able to be connected without a lot of effort between the various organisations and to avoid issues of under or over payments to be dealt with on a timely basis or avoid people attempting to obtain benefits they would not otherwise be provided or make them pay for obligations they may try and avoid.

Single Touch Payroll has been an extremely staggered process from 1 July 2018 for employers who employ more than 20 employees, and 1 July 2019 for everyone else and not for profit employers having a

commencement date from 30 September 2019. The ATO have taken a very soft approach and the 2020 financial year will be lots of education and explanation of the process with regular encouragement to join the program voluntarily. From 1 July 2020 however, the advice from the ATO is that they will start attempting to force all employers onto this with penalties or other provisions to ensure compliance occurs.

Currently nothing will occur if you are not on Single Touch Payroll, however this is a temporary measure and will change as the ATO's focus changes from encouragement to compulsion as they require employers, with less than 20 employees, to start reporting via Single Touch Payroll by the end of September 2019.

A few exemptions exist from the system, however this requires significant hurdles to access them and this revolves around unreliable and unusable internet facilities which will require evidence that they are not reliable. The ATO's opinion is that micro employers with less than four employees report that information to the ATO through their BAS or tax agent.

If you have any questions relating to Single Touch Payroll, please contact us.

Disclosure of Business Tax Debts - On the Way

The House of Representatives has passed legislation which is now awaiting approval by the Senate which will enable the Taxation Office to disclose tax debt information of a taxpayer to credit reporting bureaus when certain conditions and safeguards are satisfied.

This legislation will allow tax debts to be placed on a similar footing as other debts, strengthening the incentives for businesses to pay tax debts in a timely manner and effectively engage with the Australian Taxation Office to avoid the business' tax debt information being disclosed to credit reporting agencies. The government has indicated that the legislation will be backdated to when the 2018/19 mid-year economic and fiscal outlook was tabled.

We will give you further information on this new legislation once the Senate has passed the legislation.

Manufacturing Modernisation Fund - A New Grant

The Australian government has announced a new grant targeted at small to medium enterprise manufacturers who can apply for co-funding for capital investments and associated reskilling to modernise manufacturing processes, adopt new technologies, become more productive and create jobs.

Eligible activities for funding include:

- buying, constructing, installing or commissioning of manufacturing plant, equipment or software;
- relevant training and skills development to assist you to integrate the new technology into your business including up skilling and accreditation in advance processes;
- process design and engineering directly related to your capital investment; and
- fitout, alterations and/or extensions to buildings directly related to your capital investment.

Who can apply:

- A company:
 - that is in manufacturing.
 - that is a small business or medium-sized enterprise with up to 199 employees.
 - that has clearly identified the level of job creation expected from the project.

The deadline for applications is 31 October 2019. Modernisation can include technology upgrades, efficiency upgrades, such as energy or process optimisation, or more transformative changes to your business, which will allow you to produce new products or diversify into new markets.

Funding under the program:

- For small scale technology and efficiency investments – matched grants (50/50) of between \$50,000 and \$100,000.
- To support transformative investments in technologies and processes – one third grant (33.3%) of between \$100,000 and \$1 million to support transformative investments in technologies and processes.
- The maximum grant is two years.

If you would like to discuss the possibility of lodging an application for this grant, please do not hesitate to contact us.

Management Accounts Give More Information

If your business operation incorporates more than one department/activity we believe it is desirable that a set of management accounts are prepared which will supply your management team with an individual trading account for each business department/activity. This will give you more meaningful information, to assist in running your business, then the Consolidated Profit and Loss Account, which is normally prepared for the annual accounts and for submission to the Australian Taxation Office.

When the individual trading accounts are prepared, this will enable Key Performance Indicators to be prepared for each of those individual departments/activities. Our intention is to give you a greater insight into the performance of each department/activity within your business.

When management accounts are prepared, it is possible to prepare a benchmarking analysis for each of the individual departments/activities - if benchmarking reports are available for that type of business activity.

The preferred format for the trading account when management accounts are prepared is:

<u>Total Income</u>	
• Sale of labour	.....
• Sale of materials	.....

<u>Less Cost of Goods Sold</u>	
Opening Stock	.....
Opening Work in Progress	.....
Materials	.....
Labour	.....
Labour Oncosts	.....
Other Direct Costs	.....
Freight	.....
Subtotal	.....

<u>Less</u>	
Closing Stock	.....
Closing Work in Progress	.....
Subtotal	.....
Costs of Goods Sold	.....
Gross Profit/Loss	.....

If you would like to have a discussion with us on the type of accounting reports that are being prepared for your business so that you will have more information to effectively manage your individual business operations, please do not hesitate to contact the person in our organisation with whom you normally deal.

Who Is Your Ideal Client?

To grow a business you need to nurture a key group of people who move from prospects to customers and then to clients and, ultimately, to advocates.

How do you achieve this?

Have you developed any keywords that clients associate with your type of business?

Can you prepare a summary of your core clients identifying what they like about your business and what they dislike?

Do you receive regular feedback from your customers? To get this feedback, does a leader within your business make contact with your key customers to ascertain what they think about your business and how they compare you to your competitors?

Do you have a customers' advisory group that meets every few months from which you can obtain feedback and discuss strategies you are planning to introduce into your business, particularly targeted at prospects and customers and gives you the opportunity of giving this special group of customers early access to the new products or services developed by your business?

Do you utilise all of this information to prepare a summary of who your ideal client is? Do you share the composition of your ideal client with your team so that they have an appreciation of the type of person that they should be targeting in their direct communications?

If you would like assistance on the establishment of a customers' advisory group, please contact the person in our firm with whom you normally deal.

CRM Systems Help

Growing businesses appreciate the assistance that a Customer Relationship Management system (CRM) gives them in organising retention of records on prospects and ultimately customers.

Within a CRM system you can enter details of your prospects/leads and file all correspondence that you have initiated with a prospect and later a customer.

If you conduct a marketing campaign whereby you are sending newsletters to your prospects/leads, you can process the campaign by the CRM system which will then maintain a permanent record that a newsletter was sent to the prospect on a particular date.

Salespeople can record details of telephone conversations with prospects within the CRM system.

The alternative to a computerised CRM system is having notes on bits of paper and in handwritten files. This all becomes unwieldy and usually cannot be used for a coordinated mailout of a newsletter and supplying information very quickly on a particular prospect or customer with links available to the prospect or customer's website, so that whenever anyone wishes to communicate with an individual prospect or customer they can gain an update on the latest communications and feedback, if any, from the prospect or customer, before making contact with the prospect or customer.

Most CRM systems enable the recording of prospects/leads in a separate category from customers which facilitates conducting a coordinated marketing campaign with prospects/leads.

If you would like us to give you some further information relative to CRM systems which might be suitable for your business, please do not hesitate to contact us.

Reducing Debtors' Days Outstanding

One of the real problems for businesses that have to give credit to customers is the amount of money owed by customers. Of course, those customers are then called "debtors".

There are a number of strategies to reduce debtors' days outstanding.

An effective debtors' management system goes right back to the beginning of your relationship with a new customer.

A prospective new customer should be invited to complete a "Credit Application Form". This form should be submitted to your business prior to any credit being extended to the prospective new customer.

An office team member, who has been adequately trained, should check the "Credit Application Form" and should forward the completed review of the "Credit Application Form" to a manager to authorise the level of credit to be given to this new customer.

It's a good idea to prepare a "Welcome to New Customer" letter which should include details of your credit policies, including the credit limit and number of days credit that you are offering to this new customer.

As part of the "Welcome to New Customer" letter a "Terms of Trade Agreement" and "Retention of Title Agreement" should also be prepared so that these items are sent at the same time to the new customer with a request that the original copy of the Terms of Trade Agreement and Retention of Title Agreement are signed and returned to your office within 7 days.

There should be a procedure, which has been agreed to by the management team, for a decision to be made as to whether to register this new customer on the Personal Property Securities Register.

If the new customer falls within the category that your system indicates should be registered on the Personal Property Securities Register, the person responsible for this needs to ensure that the necessary registration is completed within the stipulated period of 15 business days.

One of the keys to ensuring prompt payment of tax invoices is to ensure that an accurate tax invoice is prepared promptly after any goods or services are provided to a customer, particularly a new customer and that any additional information that the new customer has specified they require, is attached to the tax invoice and sent to the customer. It is not a good idea to wait until the end of the month to send tax invoices to a customer – particularly a new customer, because this will convey to them that debt collection is not a high priority in your business and they'll probably hold payments back – thus getting into some very bad habits!

On the tax invoice it's a good idea to stamp the date that payment is expected, based on your agreed payment terms with this customer.

If you are sending statements to customers at the end of the month, these should be prepared within 48 hours of the end of the month and urgently sent to your customers. It is acceptable to send debtors' statements by email.

The system should be that the business' overall debtors' days outstanding is calculated at the end of the month and that individual debtor's days outstanding are also able to be calculated. Prompt follow-up of customers relative to their outstanding payments will normally mean that debtors' balances are reduced, thus reducing the overall "debtors' days outstanding."

Sundry debtors is normally one of the biggest components of a business' investment in working capital, which can tie up a lot of money for a business. The development of an appropriate debtors' management system and then ensuring that the system operates promptly and effectively, is the key to reducing debtors' days outstanding.

If you would like us to review the effectiveness of your debtors' management system, please contact us.

Improving Stock Turn

Businesses can tie up a lot of money in inventory. It is sound practice to create budget limits on the amount of new stock that can be purchased at various times.

It's also important that there is an ongoing analysis of the "stock turn" that has been achieved on individual stock lines or, if that is not possible to calculate on your computer system, the individual department's overall stock turn.

The level of stock turn should be continually compared to the budgeted stock turn for individual stock items or stock departments.

It is a good idea for managers to communicate to the sales team the composition of stock so that there is a recognition of the need, not just to sell "star" items, but to also sell "problem lines" and "sludge" lines.

The Stock Matrix Chart will assist in the identification of the various categories of stock.

STOCK MATRIX CHART

	Margins	Margins
Sales High Volume	STARS	CASH COWS
Sales Low Volume	PROBLEM LINES	SLUDGE
	High	Low

If you would like us to evaluate the inventory system that you are using within your business, please don't hesitate to contact us.

Reducing Investment in WIP

If your business has a working capital item described as "Work in Progress" it is desirable that a system has been introduced to ensure that:

- Progress claims are raised once the investment in work in progress reaches a specified amount.
- That a review is made at the end of each month to ascertain the reasons why a job that was in progress last month has not been finished.

The reason for this enquiry is that some jobs can be deliberately left in work in progress if there is a problem with that particular job and the person responsible doesn't want the problem to be highlighted to management and would prefer to finalise the job when another job, which has shown a good profit, has also been finalised so that the

poor results from one job can be offset against the good results from another job and perhaps slip through without much enquiry.

Whilst there can be reasons for this action, an effective Work in Progress system should be highlighting that there was a problem result from a particular job and management should be investigating that result to determine whether any errors were made so that they don't occur again in a future job:

- the quote may have been wrong
- the wrong staff may have been engaged on the job
- the wrong materials may have been utilised
- the job may have been too complicated for the team to complete it within the specified time and cost

If you require any assistance on the review of your business' Work in Progress system, please don't hesitate to contact us.

Export Market Development Grant Application Deadline Approaching

Grant applications for expenditure incurred up to 30 June 2019 have to be lodged with Austrade by 30 November 2019.

The Export Market Development Grant aims to assist the development of exports by Australian firms. The grant provides financial incentives in the form of taxable grants, based on eligible expenditure, to promote exports. The Export Market Development Grant focuses on direct promotional activities and does not assist the general establishment of a business or product development.

Inbound tour operators are eligible to claim costs relative to free tourism samples for the promotion of their facilities to overseas tour organisers.

Applications may be made by Australian residents with any type of entity who are the owners of eligible goods, services and the entity has carried on export promotion activities during the year.

Applicants must have an income of less than \$50 million in the grant year and have incurred, at least, \$15,000 of eligible export promotion activities during the year. If this is your first year of claim you can combine 2 years to aggregate the required minimum expenditure.

If you have spent money on export market development activities and you wish to discuss with us the lodgement of an Export Market Development Grant Application, please do not hesitate to contact us at your earliest opportunity.

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.

Contact us:

CMA Collins Melody

P: 03 9836 1533

F: 03 9836 3025

E: admin@colmel.com.au

W: <http://www.cmagroup.com.au>

Ground Floor, 1 Chapel Street, Blackburn, VIC, 3130