

BusinessPlus+ Newsletter

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Issue – May 2020

Assistance For Exporters

Export Finance Australia (previously known as Export Finance Insurance Corporation) provides a range of flexible loans and guarantees for exporters, including international tourism businesses providing services directly or through a supply chain.

If you are an exporter and your business has been affected by COVID-19 and you need finance, Export Finance Australia is available with a series of financial support to help businesses with turnovers under \$50 million per annum.

The Australian government also has a Small Business Export Loan which has been developed to meet the specific needs of small business exporters. Funding of \$20,000 to \$350,000 in export loans is available whereby “Small Business Export Loans” assists a bank to make loans to eligible small businesses that have a minimum turnover of \$250,000 up to a maximum turnover of \$10 million last financial year.

If you would like our assistance in the preparation of a submission to either Export Finance Australia or “Small Business Export Loan”, please don't hesitate to contact the accountant in our organisation with whom you normally deal.

JobKeeper Changes

The Australian Taxation Office has announced an extension of time for businesses to pay their employees and still be able to claim back the first JobKeeper payments.

Businesses applying for JobKeeper now have until 8th May 2020 to ensure all eligible employees have received the payments for the first two fortnights of the JobKeeper support, which commenced from Monday, 30th March 2020.

The government has also announced that businesses have until 31st May 2020 to formerly enrol to claim JobKeeper payments which could apply from 30th March 2020.

Determination Of 30% Drop In Turnover

Businesses with turnovers under \$1 billion dollars per annum must have suffered a 30% drop in turnover when the month of March or April 2019 is compared with the same month in 2020 or the three-month period of April, May, and June 2019 is compared with the same three months in 2020.

If the business has not suffered a 30% drop in either of these monthly comparisons or in the three monthly comparison, the business could reconsider in subsequent months – May, June, July, August, if turnover has dropped by more than 30%. In one of these situations the amount of subsidy (\$1,500 per fortnight per eligible employee) would only apply from the month in which the 30% reduction in turnover had occurred.

You can choose whether you are comparing your monthly or quarterly turnover. You can choose to compare the relevant month or quarter regardless of whether you submit your Business Activity Statements on a quarterly or monthly basis.

The turnover calculations require you to include sales that you have made, or are likely to make, in the relevant month or quarter. The calculations are based on the time you make the sales.

The Taxation Office guidelines indicate *“there are different ways of calculating turnover that may be reasonable in your circumstances”*.

“As a practical matter, we expect that you will use the GST accounting method that you normally use. In other words, you may use a cash or accruals approach in determining the value of your sales in the relevant month or quarter.”

“If you normally account for GST on an accruals basis, but seek to calculate on a cash basis (or vice versa) we may seek to understand your circumstances to ensure that the calculation achieves an appropriate prediction of your turnover”.

“Importantly, whichever bases you use must be used consistently in comparing the month or quarter in 2020 with the comparison month or quarter in 2019”.

If you would like us to review the situation relating to your business to determine whether your business might be eligible to register for the JobKeeper Payment Scheme, please don't hesitate to contact us.

Alternative Tests For JobKeeper

The Tax Commissioner has announced alternative tests that he will use where it's not appropriate to consider March or April in 2019 with March or April in 2020 or the three-month period April, May and June 2019 with estimates of turnover in April, May and June 2020.

A summary of the "Seven Alternative Tests" is as follows:

1. Business Commenced
 - .1 Where an entity commence business after the relevant comparison period in 2019.
 - .2 The business did not exist in the relevant comparison period in 2019.
2. Business Acquisitions or disposal that changed the entity's turnover.
An entity acquired or disposed of part of their business after the relevant comparison in 2019.
3. An entity has restructured part or all of their business after the relevant comparison period in 2019.
4. Business had substantial increase in turnover

Entities who had an increase in turnover by 50% or more in the 12 months immediately before the applicable turnover test period, or

25% or more in the 6 months immediately before the applicable turnover, or

12.5% or more in the 3 months immediately before the applicable turnover.

Will also be covered.
5. Entities affected by a drought or other natural disaster in the relevant comparison period in 2019
6. Entities who have an irregular turnover that is not cyclical, such as what can occur in the building and construction sector
7. A sole trader or a small partnership where the sole trader or one of the partners did not work for all or part of the relevant comparison period because they were sick, injured or on leave during the relevant comparison period, and those circumstances affects the turnover of the sole trader or partnership

The statement indicates that *“the Commissioner cannot determine an alternative decline in turnover test in all circumstances”*.

“It is only in those circumstances where there is an event or circumstance, be it internal or external to an entity, that is outside the usual business setting for entities of that class which results in the relevant comparison period in 2019 not being appropriate for the purpose of an entity in the class of entities satisfying the decline in turnover test”.

If you believe that the turnover variation calculation for your business should be determined using one of these alternative tests, please don't hesitate to contact the accountant in our organisation with whom you normally deal.

Directors, Beneficiaries, Partners May Be Eligible For JobKeeper

If a company, trust or partnership has had a reduction of income of 30%, calculated in accordance with the turnover reduction rules as highlighted above, then one director of a company, one beneficiary of the trust, one partner of the partnership who is not engaged as an employee of that entity and is not in receipt of a JobKeeper payment from any other business entity, may be eligible for a JobKeeper payment of \$1,500 per fortnight.

If you believe that these circumstances apply to you, please contact us at your earliest opportunity so we can review your particular circumstances and advise you whether we believe that a director, beneficiary of the trust or partner in a partnership, may be eligible to apply for the JobKeeper payment.

Research And Development Findings Dates Extended

The Department of Industry, Innovation and Science has announced that, because many businesses are facing difficult economic circumstances due to the recent bushfires and COVID-19, the department will accept a Provisional Advance or Overseas Finding application for the 1st July 2019 – 30th June 2020 income year, due on 30th June 2020.

The minimum details required in a Provisional Advance or Overseas Finding application are:

- company contact details
- descriptive name/title of claimed R&D activities

The further information required to assess the application will be required to be lodged with the Department of Industry, Innovation and Science (AusIndustry) by 30th September 2020.

If you require any assistance in the completion of an Advance or Overseas Finding for research and development activities being conducted by your company, please don't hesitate to contact the accountant in our organisation with whom you normally deal.

Hotlines For Banks Relating To Coronavirus SME Guarantee Loans

Shortly after the Prime Minister phoned the major banks complaining about the delays that SMEs were having in obtaining the special coronavirus SME guaranteed loans from banks, the banks released the details of coronavirus hotlines that they have installed:

ANZ Bank	-	1800 571 123
Bank of Melbourne	-	1300 784 873
Bank SA	-	1300 669 472
BOQ	-	1300 557 272
CommBank	-	132607
NAB 1800 JobKeeper	-	1800 562 533
St George	-	1300 730 196
Suncorp Bank	-	131155 (then select 1, 3, 3, 1)
Westpac Bank	-	1300 731 073

The Australian government and the Reserve Bank of Australia have supplied \$105 billion at a very low interest rate (0.25%) to the banks for these funds to be lent to SMEs (turnover under \$50 million) for a 3 year term for a maximum loan of \$250,000 at a low interest rate with no security. The Australian government is guaranteeing 50% of the borrowing. To secure one of these loans for working capital purposes, you will require a "dot point" Business Plan, Budget and Cashflow Forecast.

We are happy to assist in the preparation of this documentation. If you need our assistance, please contact the accountant in our organisation with whom you normally deal.

Preparing For The End Of The Lockdown

With talk by the Prime Minister, Premiers and Chief Ministers about businesses reopening, now is the time to start your preparations for that welcome event.

- **Communications:**
It's going to be very important to communicate with your team to keep them informed as to what the government might do and to ensure that each team member clearly understands the new rules that most businesses will have to apply which relate to your business. An understanding of these rules is going to be very important for all persons working in your business from the most junior through to the most senior.
- **Customers:**
The next area to concentrate on is customers and improving the customer experience that they obtain from your business. You might contribute to this customer experience by emailing or telephoning or conducting Zoom sessions with your clients/customers to keep them informed of what is happening within your business and what products and services you're going to have available for them.

The relaxation of the COVID-19 rules will give your business a unique opportunity to reconnect with your customers.

- **Simplification And Training:**
If your business is still "less busy" than what you would normally expect, why not use this time to consider the simplification of processes and some training activities so as to improve the level of service that your business can provide to your customers once you're able to resume full trading activities?

- **Key Customers:**

Why not contact your key customers and enquire what they're doing in their businesses or, more importantly, what they are planning to do and ask them what assistance you could offer to them. Then the person who has made that call should submit a report to the leadership team on what the customer suggested so that consideration could be given as to whether that suggestion could be incorporated into a broader range of services to be offered to a group of customers.

- **Government Assistance:**

The Australian, State and Territory governments have released a range of grants and other support packages for businesses.

- **Cashflow:**

Cashflow control is going to be very important during the remainder of the lockdown period and in the commencement of "post lockdown trading". Weekly control and monitoring of cashflow, both income and outgoings, will be very important during the next 6 months and therefore having your team estimate what sales are going to be made each week and when the cash will flow from those sales together with an estimate of the cash outlays which will be required each week will be important so that management is able to closely monitor the cashflow position within the business.

- **Predictive Modelling:**

It would also be a good idea to prepare some financial modelling estimates. What would happen if sales were 10%, 20% or 30% lower than your estimates? You may have decided that at this stage not to contact your bank about seeking a "Coronavirus SME Guarantee Loan", but this predictive modelling may have highlighted to you the potential for your business to encounter significant cashflow difficulties during the next 6 months and perhaps you should be completing an application for a working capital loan of up to \$250,000 repayable over a three-year period with no security required.

These loans are being made by banks with funds supplied by the Australian government and the Reserve Bank of Australia at low interest rates with no capital repayments for 6 months.

- **Generation Of Income With The Loan Funds:**

Alternatively, you may be concerned about the generation of income for your business. Perhaps you could utilise the funds provided by a "Coronavirus SME Guarantee Loan" to undertake business creation activities which will enable you to keep your team fully engaged, for example:

- A farmer who has good feed in his paddocks now available because of the recent rain could utilise these loan funds to purchase cattle and to fatten them and sell them in 6 to 8 months' time and then repeat the exercise 1 or 2 more times before the loan has to be fully repaid.
- A builder could utilise the loan funds to keep their team engaged by building a "spec home" and then selling that spec home and then repeating the process again before the loan funds have to be fully repaid.
- Perhaps your business premises need refreshing, repainting or remodelling to assist in the generation of business income once all the restrictions are released. The funds available from the "Coronavirus SME Guarantee Loans" could assist in this activity.

- **Senior Leadership Team:**

If you have not already done so, we recommend that you clearly identify your senior leadership team and ensure that the senior leadership team communicate, in-house or via Zoom, on a daily basis to ensure that strategies are being implemented which will enable the business to immediately resume full scale business operations as soon as the lockdown restrictions are removed.

The senior leadership team could meet at the end of each week to review the results and to discuss what was learnt and what new services could be offered to different customers based on the results of supplying new services to one or two customers and then communicate to the team the strategy for the following week.

- **Team Communication:**

Whilst some of your team are working from home they're probably feeling a little bit remote. Many businesses are finding that there are significant benefits in conducting, at least, a daily communication session within the individual teams within a business (a daily stand-up or Zoom huddle) – this will keep everyone informed of what is happening and also some businesses are finding the concept of a "Zoom drinks event" on a Friday afternoon beneficial for team spirit.

- **Pricing Strategies:**

Now is a great opportunity to sort out your pricing strategy for your "rejuvenation period". This is part of getting your own house in order so that decisions on mark-ups can be sorted out prior to the time when the current restrictions have been relaxed when you want everyone concentrating on their prime business activities so as to generate income for your business.

- **Working Capital:**

What have you learnt from this crisis relative to the amount of working capital you had available within your business? Have you been caught short? A lot of businesses have. Some businesses are trying to create "cash reserves" equivalent to 3 months' wages, long service leave, lease payments, rental commitments and other major regular payment amounts.

Is this something that your business should be aiming to develop over the next year or two, especially if your business has relied on JobKeeper funding and boosting cashflow funds?

This type of government funding might not be available in the future. What would happen to your business then?

- **JobKeeper – Negotiations With The Landlord:**

If your business has qualified for JobKeeper (turnover has reduced by 30%) and if you occupy leased premises, have you had discussions with your landlord relative to rental waivers and rental deferrals using the “Commercial Tenants Code Of Conduct”?

- **Funding Planning:**

Do you think that you're going to require more money than the loan funds that the “Coronavirus SME Guarantee Loans” might make available to your business? There is an upper limit of \$250,000.

Do you have a vision that would require more funding for the business? If so, should you be giving consideration to trying to raise capital?

- Utilising Section 708 of the Corporations Act – a company can raise up to \$2 million in 12 months from a maximum of 20 investors.
- Utilising Crowd Sourced Funding Equity Raising to raise capital from the public – a qualifying company can raise up to \$5 million in a 12 month period.
- If your company has developed a new product, process or service with turnover of less than \$200,000 per annum (not including any “Accelerating Commercialisation Grant Money”) and expenditure of less than \$1 million in a 12 month period, your company could raise capital and, in so doing, the people who are at arm's length to you who invest in this round of funding obtain a taxation rebate and if they hold the shares for longer than 12 months avoid capital gains tax on the investment that they have made in your company. This is why Early Stage Innovation Companies are attractive because investors know that they can obtain some significant taxation benefits from investing in the companies that qualify to be treated as an “Early Stage Innovation Company”.

If you would like to discuss any of these capital raising concepts relative to your business, please don't hesitate to contact the accountant with whom you normally deal and he/she will then refer you to our in-house capital raising coordinator who will then prepare an overview for you on how a selected capital raising concept could work for your business.

- **Business Review Meeting:**

All businesses will benefit from conducting a business review meeting each month or, at the very least, each quarter. All aspects of the business should be considered in the business review meeting.

Your firm's accountant or business advisor could be invited to actively participate in the business review meeting process and, in fact, many businesses will decide that it is beneficial for their external accounting firm to coordinate the planning and the various reports to be submitted to the business review meeting. This enables your leadership team to be primarily concentrating on day-to-day activities and planning future strategies whilst your accountant assembles the various reports for consideration at the business review meeting.

- **Identification Of Three Projects/Ideas Each Quarter:**

The key objective to come out of each quarterly business review meeting is the identification of three project/ideas that the leadership team and the other team members should work on in individual groups so that a decision can be made whether any of those three project/ideas can be developed into a firm strategy to be implemented within the business' overall strategic plan.

- **What Is Your Vision For Your Business?**

It is also desirable that the leadership team gives consideration to what type of business you want to evolve into over the next 3 to 5 years. Do you want to stay basically the same size as you are now? Or are you keen to expand and grow the business. This is normally referred to as “scaling up”.

The “scaling up” process requires the leadership team and Board of Directors to give consideration to some very important issues and to start working on them including:

- Developing the leadership team.
- Developing and motivating the team members.
- Identifying customers and developing products and services that the customers would like to buy.
- Developing strategies for the business to achieve its key aims.
- Implementing the strategies on a day-to-day basis.
- Identifying the source of finance to enable the business to be able to grow – this could require serious attention being given to some of the capital raising alternatives that we discussed earlier.

- **Needs' Checklist:**

[Click here](#) for a SME Needs' Analysis that has been developed for a wide range of businesses. We would like to suggest that you review this checklist and the contents of this article and identify items that you would like to prioritise for implementation within your business and return the checklist to us so that we can discuss with you the preparation of an implementation strategy for these items within your business.

- **End Of Lock-Up!!**

The end of the lock up time is not that far away when you consider the amount of work that needs to be done to have your business ready to offer outstanding service to your customers and potential customers.

We are keen to assist you on this journey. We look forward to receiving from you your Needs' Checklist together with details of any other initiatives that you'd like our assistance in implementing within your business.

Stay safe so that we can all emerge in a strong position when the lockdowns are phased out.

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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