

BusinessPlus+ Newsletter



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Issue – March 2021

Our theme for March 2021 - “Activities to Assist Survival in 2021!”

Stop Press!! - Government Announcement In Relation to Post JobKeeper Assistance

On Thursday 11th March the Australian government announced various post JobKeeper assistance programs as follows:

- The Tourism Aviation Network Support (TANS) will operate from April to 30th July 2021 with 50% discounted airline tickets to an initial 13 regions across Australia available on airline websites beginning 1st April 2021. The discounted airfares apply for interstate trips, except for travel from Adelaide to Kangaroo Island.

The destinations announced for discount airfares are:

- Broome
- Avalon
- Kangaroo Island
- Lasseter and Alice Springs
- Merimbula
- Launceston
- Devonport and Burnie
- Gold Coast
- Sunshine Coast
- Cairns
- Whitsundays and Mackay (Proserpine and Hamilton Island)
- Adelaide
- Darwin

The government’s announcement indicated that *“travellers will be able to take advantage of cheap fares to travel within Australia to regions impacted by the loss of international tourists. This will support jobs and have an economic multiplier effect, as travellers spend money on accommodation, food and activities in these regions.”*

The Deputy Prime Minister has indicated that other towns and cities would be added to the list of 13 destinations that will receive visitors on half price flights.

- SME Loan Guarantee Scheme – will be extended and expanded to support up to \$40 billion in lending to small and medium sized enterprises. The scheme will be targeted and tailored to support those businesses that have been relying on JobKeeper during the March 2021 quarter. The announcement indicates that this new scheme is only open to recipients of the JobKeeper payment between 4th January 2021 and 28th March 2021.

Phase 2 of the existing SME Loan Guarantee Scheme will remain open to eligible borrowers until 30th June 2021.

To be eligible for this new loan scheme, businesses must have a turnover under \$250 million per annum. Loans will be open to companies, self-employed individuals, partnerships and non-profit businesses.

The loans are being supplied by banks with funds provided by the Federal government.

The Federal government will guarantee 80% of the loan amount.

Lenders are allowed to offer borrowers a repayment holiday of up to 24 months.

Loans can be used for a broad range of business purposes, including to support investment, loans may be used to refinance any pre-existing debt of an eligible borrower.

Borrowers can access up to \$5 million in total.

Loans are for terms of up to 10 years.

Loans can be either unsecured or secured (excluding residential property).

The interest rate on loans will be determined by lenders, but will be capped at around 7.5% with some flexibility for interest rates on variable rate loans to increase, if market interest rates rise over time.

It is expected that normal bank lending requirements will apply for these new loans. Businesses will probably need interim financial accounts to 31st December 2020 and a Business Plan as part of the supporting information that the bank will require.

If you are interested in submitting a loan application and you require our assistance, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

- Business Events Grants Program – will be extended by 3 months to support businesses to hold multi-day business events covering up to 50% of costs incurred in participating business events during the 2021 calendar year.

The minimum grant amount will be \$5,000 to allow smaller businesses the opportunity to apply.

The support will be available for events scheduled through to 31st March 2022.

Applications for the grant will be extended to 30th June 2021.

Expressions of interest for event owners to have their event included on the schedule of approved business events will reopen in April.

- COVID-19 Consumer Travel Support Program – the government has announced Round 2 of this program which will provide further assistance to travel agents and tour arrangement service providers who continue to provide refunds and hold credits for Australian consumers unable to travel internationally.
- Zoos and Aquarium Program – there will be an extension to the “Supporting Australia’s Exhibiting Zoos and Aquariums Program” for a further 6 months. An updated version of the program guidelines and key dates will be published by the government by the end of March.

Planning A Research And Development Project – Part 1

A research and development project commences with an “idea” thought of by someone within the company. (You might have thought of an “idea” during the lockdown periods and working from home requirements because of COVID-19).

That person normally discusses the “idea” with the company’s leadership team who might then decide that the idea is worthy of being created as a project. Some of the team would be allocated to undertake some preliminary work to determine whether the “idea” has the potential to be worthwhile from the company’s point of view.

When preliminary investigations are concluded, the team needs to make a decision as to whether to recommend to senior management that a research and development project is approved by the Board of Directors so that more of the company's resources can be utilised on undertaking a research and development project.

The legislation relating to research and development is the *Income Tax Act* and the *Industry Research and Development Act*, thus involving the Australian Taxation Office and AusIndustry.

The legislation requires a company that wishes to be able to claim the Research and Development Rebate, must have conducted prior art/literature searches to ensure that no one else anywhere in the world has published or developed products utilising the same concepts that the company is proposing.

These searches are normally conducted initially via the Internet and searches of published articles and obtaining input from industry experts as to whether there is already "known knowledge" in the area that the company's team are proposing to undertake research activities.

It is important that documentation is retained of the searches that have been undertaken and discussions that have been held with experts so that the company can produce this as evidence that an appropriate search was made for prior art/literature if this is called for by the Taxation Office or AusIndustry and this could be in up to 4 years' time.

To be able to claim the Research and Development Rebate the company needs to be able to identify the "core activities" proposed for a research and development project.

These core activities should identify the "new knowledge" intended to be produced by the research and development activities.

Director's Role in a Small/Medium-Sized Business - Part 2

Board of Directors with Mentor

Some Board of Directors find it beneficial to appoint a mentor to assisting corporate governance training for the directors.

The mentor's role is to advise the directors on corporate governance processes. The mentor is only present to give advice and should not participate in a decision made by the Board of Directors.

Company Acting as a Corporate Trustee

Many businesses operate through a trust. It is sound business sense to utilise a "corporate trustee" rather than individuals as trustees of the trust. The reason for this is that a trustee can be sued in some circumstances and, if the trustee is a company with a paid-up capital of only \$2, as long as the directors of the trustee company have not acted illegally, there is no potential liability for the directors. There could have however been significant potential liability if the trustees were individuals.

The minutes of a Board of Directors meeting acting as trustee of a trust should indicate that the board is acting as trustee of a trust so that there is no misinterpretation as to what the purpose of the Board of Directors meeting was when the Board of Directors is meeting in its capacity as trustee of a trust.

Board of Directors – External Directors

Some companies find it beneficial to appoint one or more external directors to their Board of Directors. An external director is someone who is not a shareholder or an associate of a shareholder or a director. Some companies are also inviting one of the external directors to accept the role of "Chair" of the Board of Directors.

The benefit to companies from having external persons appointed to their Board of Directors normally relates to corporate governance matters and the smooth running of a Board of Directors' meeting.

The external directors bring to a company with inexperienced directors their knowledge and skills from exposure to other companies and businesses and a clear understanding of how those other companies conduct their deliberations at a Board of Directors' meeting.

If a company resolves to appoint one or more persons as external directors, it should not be viewed as a "lifetime appointment" because there can be some real benefits to the company in "refreshing" the membership of their Board of Directors every few years to get access to new ideas and different thinking on how to approach corporate problems.

If you would like to discuss with us any aspect of the composition of your Board of Directors or corporate governance in general, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

Research And Development Registration

The due date for companies to lodge their Research and Development Registration Form in respect of the year ended 30th June 2020 is 30th April 2021.

If your company is experiencing difficulties in submitting the application by 30th April 2021, the company can apply for an extension for a maximum of 3 months.

In the application the company must summarise:

- The reasons that the application could not be submitted by the deadline date.
- Provide evidence to support the company's reasons for seeking an extension.

This process will not automatically result in the granting of an extension.

If you're having problems in completing your company's Research and Development Registration Form and you need assistance, please do not hesitate to contact us.

Business Analysis And Interpretation Of Results

If you are analysing your business' financial performance for the 2020 calendar year, the key things to analyse are:

- Individual departments or business units' sales – how do the sales achieved compare to your budgets?
- Gross Profit Percentages being achieved in each of the departments or business units – are you happy with them? How do they compare to your Budget?
- Stock Levels – what is your stock turn? How does your achieved stock turn compare to your Budget?
- Team Productivity – is very important in businesses such as trades, manufacturing and professions, which are charging time spent on a job to a client. How did the team productivity achieved compare to the Budget estimates?
- Benchmarking – this is the comparison of an individual business against a group of businesses utilising anonymous businesses that have been analysed for the determination of the "Benchmarked Results"– would you like your business analysed against the benchmark results? The Australian Taxation Office prepares benchmarks for some types of businesses. We could prepare a benchmark comparison against the Australian Taxation Office benchmarked results.

If you would like us to conduct an in-depth analysis on your business' financial performance for 2020, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

Installing A Debtors' Systems Manual Will Assist In Reducing Debtors' Days Outstanding

According to the Australian Government's Small Business and Family Business Ombudsman, Australia has one of the highest debtors' days outstanding in the world. Debtors' days outstanding is still around 56 days, which is only marginally lower than the 56.4 days that was attributed to Australia when an international publication identified that Australia had won the dubious title of the *"highest debtors days outstanding in the world"* a few years ago.

Since then, the Australian Government has taken action to ensure that Federal Government Departments pay SMEs within 30 days. There has been pressure placed on big business to ensure that payments are made to small businesses on, at least, a 30 day basis. A Debtors' Systems Manual, that has been customised to suit your individual business, will make a significant contribution to an improvement in debtors' days outstanding and will also introduce a system (if you currently do not have one) to consider the requirements to register customers on the Personal Property Securities Register. Registration on the Personal Property Securities Register gives businesses some protection from non-payment of debtor's accounts, but also offers very significant protection against liquidators' claims of preferential payment. If you would like to discuss these issues, please contact us.

A customise Debtors' Systems Manual includes a number of forms and procedures to assist the person in your organisation who is responsible for debtors' management including:

- Credit Application Form – making sure you get all of the information from the new credit customer and that it is appropriately vetted.

- Directors' Guarantees Forms – procedures to monitor that the guarantees received are then appropriately filed in case they are required at some future date.
- Procedures for Approving a New Customer – this includes making enquiries to make sure you are not inheriting “someone else’s problem”.
- Procedures for the prompt preparation and dispatch of tax invoices containing all of the information that the customer has specified they require for payment to be made within your stipulated payment time.
- Suggestions for the procedures for “Terms of Trade and “Retention of Title” forms.
- Proactive management of debtors, including online debt management system utilising technology to improve payment times.
- Welcome to New Customer Letter – the manual includes the template of a letter for you to welcome the new customer but, at the same time, to take the opportunity to confirm your terms of trade, debt limit, payment dates etc.
- Debtors' Days Outstanding Calculation Form – calculating this key performance indicator on a monthly basis will assist in the monitoring of the debtors' days outstanding.

The manual includes about 30 pages of commentary on debtors' management, together with various forms to assist the person in your organisation, responsible for debtors, to undertake his/her duties.

If you would like to have a discussion with us, relative to the preparation of a customised Debtors' Systems Manual for your business, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

Business Funding

If you have prepared your Budgets and Cashflow Forecast and you believe that you need to increase your business funding, please contact us for a discussion and a review of your options.

You could apply to your bank for an Australian Government Loan via your bank. The loan funds have been supplied by the Australian Government to banks to lend to SMEs. The maximum amount of the grants is \$1 million at a low interest rate with repayment to be made over 5 years. These borrowings are 50% guaranteed by the Australian Government. These loans are to be made in accordance with the normal lending practices of the bank.

The loan funds may be spent by the business on any business activity, including capital expenditure and operational expenditure. The availability of these loans ceases from 30th June 2021. An alternative is that the business considers incorporating as a company (if it has not already done so) and attempts to raise capital as a:

- Crowd Sourced Funding Equity Raising Company – a maximum of \$5 million may be raised from the public in a 12 month period.
- Early Stage Innovation Company – if the company is under 3 years of age it can raise capital from investors who receive inducements from the Australian Government to invest in companies which meet the definition of being an Early Stage Innovation Company. These inducements include:
 - 20% tax rebate based on the amount of investment, up to a maximum rebate for a retail investor of \$10,000 and \$200,000 for a sophisticated investor.
 - Capital gains tax exemption if the shares in the Early Stage Innovation Company are held for longer than 12 months and less than 10 years, there is no capital gains tax payable when the shares are sold. If the shares are held for longer than 10 years the company is revalued at the end of 10 years to establish a “new cost price” for the shareholding.

If you would like to discuss with us any of these funding avenues for your business, please do not hesitate to contact us for a discussion.

Government Grants Can Help

There are hundreds of government grants available in Australia which can assist a business to get properly established. Grants can apply for a wide range of activities including:

- An inventor who is undertaking research and development activities can claim the research and development incentive rebate – for companies with turnover under \$20 million the rebate is 43.5% of eligible research and development expenditure.
- When the inventor has completed research and development through to the prototype stage, the business which now has to be a company with annual turnover of less than \$20 million, could apply for an Accelerating Commercialisation Grant which is a grant of up to \$1 million, on a 50% funding basis, to assist the company to commercialise the prototype into a market that potential customers are happy to purchase.

- An exporter with an annual turnover of less than \$50 million can claim an Export Market Development Grant of up to \$150,000 as a reimbursement of promotional activities targeted at an overseas market.
- An Australian-based business can also claim the Export Market Development Grant if they are targeting overseas' visitors to deal with their business operations in Australia. This could be an accommodation facility attempting to attract overseas' guests or a white water rafting business trying to attract overseas' customers.
- The Business Improvement Grant is a grant of up to \$20,000, funded on a 50% basis, which will assist hundreds of businesses to undertake strategies which will improve the business' performance.

If you would like to discuss any of these grants with us or any of the hundreds of other grants that are available from the Australian, State and Territory Governments, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

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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