

# PENDERS

Making Numbers Count

## Accountants & Business Advisers

# BUSINESS MATTERS

*Strategies for managing your business*

## Q1 2020

## Not only a new year, but a new decade

*Going into 2020 is a great time for business owners to take a step back and think about what they can do to improve on previous years.*

image for your business and helps you to stand out among your competitors.

### Be social media savvy

The rise of social media dominated the majority of the last decade and doesn't look to be slowing down. Technology is ever-evolving, meaning the way it can be used as a business and marketing tool is too. Now is an ideal time to do your research; investigate emerging trends for social media marketing and try to analyse the direction in which these trends are travelling. Concentrate on making sure that your social media marketing is informative, creative, and, most importantly, reaching the right audience. Businesses who adapt their website to the more compact screen size of contemporary devices will also benefit from more frequent and mobile access.

### Create a productive work environment

The physical characteristics of a workspace can have an enormous impact on productivity, health, safety and comfort. Elements such as lighting, colour, layout and noise all contribute to a positive and productive work environment. Ideal work environments are exposed to a significant amount of natural light, are free from clutter and control noise.

The beginning of the year offers a sense of renewal, a chance to take time and hopefully perform better going forward, both personally and in business. Even if you are satisfied with your business's performance, it is no excuse to sit back and leave things to be done how they were before. There is always room for improvements in every business, so with that in mind here are a few areas you can focus on in the new year.

### Go green

Consider the ways your business could be more environmentally friendly. There are simple steps you can take in your efforts to improve your business practices. Reducing waste, using eco-friendly products and turning off electronic equipment are all quick and easy ways to start. An environmentally positive approach can also become a profitable part of your business strategy and marketing. It may be possible to offer 'green' products or services to your customers. This creates a positive public



## INSIDE:

- When can you hire unpaid workers?
- Should you work with family and friends?
- Giving out staff awards to your employees
- And more

  
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SUITE 4, LEVEL 1  
474-478 NEPEAN HIGHWAY  
FRANKSTON VIC 3199

TEL (03) 9783 2200  
FAX (03) 9783 2900

EMAIL  
admin@penders.com.au

DIRECTOR  
Thomas Pender

Accounting  
Tax Returns & Advice  
Business Planning & Advice  
GST Returns & Advice  
Company Secretarial

## Simplified activity statements with new ASFP system

*Activity statement financial processing (ASFP) is an ATO system change that moved all activity statements and franking deficit tax accounts into one accounting system.*

The ASFP system was designed to help streamline communication with the ATO and provide consistency across a range of areas, shifting activity statement and franking deficit tax accounts from the current ATO system into their primary accounting system. This change is intended to help improve ATO digital services by delivering simplified transaction descriptions, providing more information to businesses on their financial position and payment due dates. It also includes the ability to make direct debit payment arrangements for activity statements online.

There are a number of changes as to how statements and other account transactions are displayed online. This includes:

- Simplified transaction descriptions that remove non-essential information.
- Summary views of statement of account transactions, with the ability to expand to full view if desired.
- Pay as you go (PAYG) withholding director penalties are viewable on the director's account.
- Super guarantee (SG) director penalties are viewable on the director's account.

Sole traders will be able to view these changes through ATO online, accessed through myGov. Tax practitioners for businesses will also be able to see these changes. The existing Business Portal has not changed but displayed lodgment due dates will now incorporate any electronic lodgment concessions that apply.

## CGT on commercial property sales

*Selling a commercial property is likely to result in either a capital gain or capital loss. When the sale results in a gain, it will be subject to capital gains tax (CGT).*

A capital gain or capital loss, is the difference between what it costs to originally purchase the property plus any improvements made, and what you receive when you sell it. CGT is the tax you may then have to pay on the profits made from the sale of an asset. The amount you must pay is dependent on the property's ownership structure, where the type of entity the property is owned under could drastically change the tax rate you have to pay.

Discounts and concessions are available to different entities: individuals (including a partner in a partnership) and trusts may be eligible for a discount of 50% of their capital gain if they have owned the asset for at least 12 months. Companies, on the other hand, are not eligible for a CGT discount. Small business entities who sell their business premises may be eligible for four small business discounts:

- 15-year exemption: if a business asset has been owned for 15 years and the owner is 55 years or over and is retiring or incapacitated, then no assessable capital gain arises when selling the property.
- 50% active asset reduction: small businesses can reduce their property's capital gain by 50%.

- Retirement exemption: capital gains from the property sale are exempt up to a lifetime limit of \$500,000. If the owner is under 55, the amount that is exempt must instead be paid into a superannuation fund or retirement savings account.
- Roll-over: capital gain can be deferred on the business asset until another event occurs that crystallises the gain. This event could include buying a replacement business premise within a certain time frame, where the capital gain can be deferred until the new premises are sold.

You are able to apply for as many concessions that apply to you until the capital gain is nil.



## Should you work with family and friends?

*One place small business employers often fail to search for new job applicants is the families and friends of their best employees.*

Before rushing headlong into hiring family or friends, consider the people and all areas of business that will be affected. Hiring friends and relatives can be a balancing act. If not handled well, it can sour the working environment. But hiring friends and family can have great benefits too, as long as you proceed carefully with these following points:

### Business is not a charity

Don't hire an employee's relative just because they 'need' a job. If someone has trouble holding down a job, you don't want them either. Make it clear that if the relative or friend doesn't perform as expected, he or she will have to go. Hire on a probationary basis, establishing a two-week or month-long period to see how things work out.

### Hire for the right reasons

People rarely see their own relatives clearly and are therefore likely to make general and positive statements that don't tell you if they have

relevant work experience or training, rather than analysing their capabilities. With this in mind, ask specific, detailed questions about their qualifications before you agree to interview them.

### Be aware of spouses

Spouses or domestic partners working together can present a number of difficulties. There are logistical issues that can arise, such as holidays or family emergencies, which could leave you doubly short-handed. There are behavioural issues to consider as well, a terrific, eager worker may change dramatically with a spouse around. The dynamics of a couple's relationship is stronger and usually more emotive than an employer/employee relationship.

### Never play favourites

Be toughest on your own relatives. Before you hire a relative, make it clear to them that they are going to have to prove themselves, and they will be held to the highest standards. Make sure all the rules apply to all employees. Everyone has to be qualified and do their jobs well, otherwise, they're not hired.

## Can you change your business or company name?

*Changing your business or company name can be an exciting leap, but before starting on new logos and rebranding, think about the steps required to officially change your name.*

You cannot request to change your business name once it has already been registered under the Australian Securities and Investments Commission (ASIC). If you decide you want to trade under a new name, then you must register a new business application through the Australian Government Business Registration Service. If you choose to register a new business, you can cancel the existing registration through ASIC, however, fees for a cancelled name will not be refunded.

If you've realised that a legitimate mistake has been made in your existing business name, then you can request for a correction to be made if there is a typographical error, the name of a place is incorrect, or the date of

birth is incorrect. To support your correction request, you must provide evidence of the error, for example, a driver's license or passport. You can request a correction through your ASIC Connect account.

If you have a company, which is a separate legal entity registered with ASIC, then you are able to change the name of your registered company without applying for a new company for a fee of \$408. The new name you choose in this case is still subject to be rejected if it does not meet the following criteria, new names:

- Cannot be identical to an existing company name.
- Must not contain any restricted words, e.g. consumer, bank or ANZAC, unless Ministerial or Public Authority consent has been granted.
- Cannot suggest a connection to the government or other organisations if the connection doesn't exist.

- Must not be offensive to members of the public or suggest illegal activity.

You can protect your business or company name with a registered trademark. This will give you exclusive rights to your business or company name throughout all Australian states and territories for an initial period of 10 years.

### We are here to help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.



## When can you hire unpaid workers?

*Legal unpaid work is limited and most positions should be paid. Businesses who hire unpaid workers are at risk of reputational and financial damage if they are not following correct practice.*

Employers who are not meeting the Fair Work Act guidelines can be penalised for breaking the law by paying workers' compensation and fines up to \$63,000 for corporations and \$12,600 for individuals.

If no employment relationship exists between the worker and employer, then the worker does not legally have to be paid. An employment relationship can involve:

- Intention to perform work for the employer under the arrangement.
- Helping with the ordinary operation of the business.
- Working for a long period of time.
- An expectation of payment.
- The employer receiving the main benefit of the arrangement.

Unpaid work is legal if the work is to provide someone with experience in that particular job/industry, to provide training and skills as part of formal programs (e.g.

university placement), to test someone's job skills, or if it is volunteer work for a non-for-profit organisation. These include:

#### Vocational placements

A vocational placement is a formal work experience that is part of an educational or training course. The aim of vocational placements is to give students important skills to help them transition smoothly into the workforce through industry experience. The placement must be approved through the legal authorisation of the institution delivering the course; programs offered at universities, TAFE and schools will meet this requirement. If the work meets the definition of vocational placement under the Fair Work Act, then the position can be lawfully unpaid.

#### Internships and work experience

An internship or work experience arrangement is a type of on-the-job training, where someone works to gain experience in a particular occupation or industry. This type of work can be legally unpaid if it is a vocational placement, or if there is no employment relationship.

#### Trials and skill demonstrations

This is when someone is asked to perform work or undertake a trial in order to be

evaluated for a job position. This work trial is used to determine someone's suitability for the job on offer. It can be unpaid if:

- It is necessary to evaluate someone's suitability for the job.
- The trial is only for as long as necessary to demonstrate the skills required for the job.
- The worker is supervised by the potential employer or other appropriate staff for the entire duration of the trial.

#### Volunteering

Work is counted as volunteering when its main purpose is to benefit others, such as a church, sporting club, government school, charity or community organisation. A genuine volunteering arrangement occurs when:

- The parties did not intend to create an employment relationship.
- The volunteer is not obligated to attend the workplace or perform work.
- The volunteer doesn't expect to be paid for their work.

## Establishing a businesses terms and conditions

*Establishing terms and conditions for your business provides clarity and protection for you and your clients. Otherwise, your business can be at risk of legal and financial stress.*

The terms and conditions of a business act as a contract that aims to protect intellectual property, control liability and enforce rules. This can help to prevent disputes and save



time and money on collecting debts. Specific terms and conditions can be the difference between chasing up late payments to ensuring your business gets paid first.

While there is no legal requirement to include terms and conditions on invoices, it is highly recommended that you establish written terms and conditions in case things go wrong with one party. The terms and conditions you decide to incorporate will vary depending on your business' needs, but generally should include some variation of the following topics:

### Goods and services

A clear definition of the goods and/or services that will be provided. Including a section for definitions of the words you use throughout your terms and conditions will prevent any misunderstandings or misinterpretation.

### Price and payment terms

The price should be defined and state whether GST (or other taxes) are included or not. The payment terms should outline when the payment is due and if the price is payable in cash on delivery or on pre-agreed terms.

### Warranties or guarantees

Include any warranty that will be provided, the warranty period and clearly outline any limitations under the warranty. If you offer any guarantees, be sure to include them and remember guarantees should be given before any goods and services are provided.

### Credit terms

If credit is provided, include the credit terms, limits and any penalty or default terms. It is important to request permission to conduct a reference check to verify the creditworthiness of the other party before providing credit. Remember, offering credit increases your chances of receiving a late payment, or not being paid at all, so consider upfront payment or payment on delivery for customers with large payments.

### Defaulting and terminating

Specify what will happen if either party does not deliver or pay on time. The terms should also state what notice is required to get out of an agreement or if one party wants to end the relationship.

## Giving out staff awards to your employees

*Staff awards can be an easy and fun way to boost employee productivity and can be done without exhausting time and resources.*

Showing our employees that you appreciate and recognise their effort can increase their incentive to work harder and be more motivated in your business. Whether your award ceremony is as simple as getting a certificate in the office or hosting a formal event at a function room, handing out staff awards can give your workers something tangible to show their friends and family and feel good about. Here are some types of awards employees may appreciate:

### Employee of the month/employee of the year

Having a notable employee of the month or year award can give your workers something to strive towards. This can motivate your employees to perform consistently well throughout long periods of time, and show appreciation for high achieving workers.

### Outstanding leadership award

Leadership is often an important factor in the workplace, whether it's in teamwork, management or actively helping other employees learn and grow. It can be challenging for a leader to be empathetic and understanding whilst also being

assertive and confident, so rewarding good leadership in the workplace can improve the culture of your business.

### Customer service award

Customer service is an integral part of a successful business, so it can be helpful to give your employees an extra incentive to excellent customer service. Dealing with customers is not always easy and can be frustrating and showing employees appreciation for their efforts with handling customers can prevent them from losing motivation.

### Innovation award

It can be easy for employees to simply follow traditional ideas and procedures and not think creatively. Having an innovation award can encourage employees to think outside the box and figure out the best ways of producing quality work, which can benefit your business enormously.

### Years of service awards

These awards are given out to employees who hit a long-term work anniversary, typically when they reach 10, 15, 20, 25 or 30 years of employment. This acknowledges the employee's dedication and commitment to the business, as well as recognising their accomplishments, knowledge, work ethic and experience in the job.

## Important tax dates

### 31 JANUARY

Lodge TFN report for closely held trusts if any beneficiary quoted their TFN to a trustee in quarter 2, 2019–20.

### 21 FEBRUARY

Lodge and pay January 2020 monthly business activity statement.

### 28 FEBRUARY

Lodge and pay quarter 2, 2019–20 activity statement for all lodgment methods.

### 28 FEBRUARY

Pay quarter 2, 2019–20 instalment notice (form R, S or T). Lodge the notice only if you vary the instalment amount.