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The financial news your business needs.

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BUSINESS Bulletin

New Year Checklist!

The new financial year is here. Following is a checklist that all business owners may find useful as we move into 2012/2013:

Carbon Tax – Review Pricing

With the carbon tax coming on stream from 1 July, it's important to review your prices and, if need be, pass on any increased costs to customers.

Although only 500 of Australia's largest companies will pay the carbon tax directly, price rises are expected to flow through the economy with transport and electricity costs in particular expected to rise across the board. To identify your increased costs, you should undertake a comparative analysis of your business inputs both pre and post carbon tax. You will then be well placed to identify which inputs have increased in cost, and in turn pass any increases onto your customers. You may of course elect to absorb these costs and gain a price advantage on your competitors.

Research and Development Registration

If you've conducted research and development in the last 12 months, you may be eligible for a reduction in tax courtesy of the R&D tax incentive. While most people think of R&D as being conducted in laboratories with white coats, research conducted in the office or on the factory floor may also be claimable. To be eligible, entities must register annually with AusIndustry within 10 months of the end of the income year – so if you are eligible be sure to register. First registrations are being taken from 1 July 2012 (for activities conducted in 2011/2012). For more information on your eligibility for the R&D Tax Incentive go to ausindustry.gov.au.

Trustee Resolutions

With many business owners running their operations through a trust structure, the end of the financial year looms as an important time.

Reminder Dates

June 21

Due date for May monthly Activity Statements

July 1

Start of the 2012/2013 financial year

July & August 14

Provide payment summaries to employees & PAYG Annual Lodgement

August 25

Due date for quarterly Activity Statements

July & October 28

Due date for Superannuation Guarantee contributions

Trustees of discretionary trusts must have resolutions in place to distribute trust income for 2011/2012. Any income not distributed in time may be subject to the top rate of tax (46.5%). Generally, trustee resolutions must be in place by 30 June 2012 (a two month extension, until 31 August no longer applies).



Are You Easy to Pay?

As small businesses enter 2012, they do so against a backdrop of uncertainty, with growth forecasts being slashed domestically and overseas, and the ongoing debt crisis in Europe.

In the year ahead, cashflow will be more important than ever. While slow payers are the bane of every business, sometimes you actually contribute to your cash flow problems yourself through inflexible payment methods. As we enter a new year, ask yourself: are you an easy business to pay? Consider electronic payment methods - internet banking, EFTPOS, direct debit, BPAY and merchant facilities. Such methods are fast and convenient for both parties.

Remember, if you are not easy to pay, it's easy to be put onto the backburner.

Watch the Caps

For tax planning reasons, the end of the financial year is a popular time for business owners to make contributions to superannuation. In doing so, be mindful of the super contribution limits – if you exceed the limits, penalty tax of up to 63% can apply! To find out more about the limits, visit the Tax Office website www.ato.gov.au and search for “Super Contributions Caps”.

Finances - Budget Wrap Up

There were three major items to fall out of the Federal Budget for businesses.

1. Cancelled Company Tax Cut

The much publicised company tax cut (from 30% to 29%) has been cancelled – not just postponed.

2. Carry Back of Losses

Commencing 1 July 2012, companies will be able to carry-back losses to offset past profits and get a refund of tax previously paid on that profit. Currently, businesses can only carry their losses forward to offset against future profits – they can't carry their losses back and offset against prior year profits. Although it sounds attractive, the measure is limited to:

- Company structures (businesses run through trusts, partnerships and sole trader structures are ineligible).
- Losses made from 1 July 2012 onwards (losses in prior years are ineligible). Businesses that have been struggling in recent years but make a profit in 2012/2013, will not be eligible for this measure until a new loss is made.

3. Living Away From Home Allowance Restricted

The eligibility rules for the living away from home allowance (LAFHA) will be further tightened. Aimed at stopping employers from providing the LAFHA to employees who are not maintaining a second home or are maintaining two homes indefinitely, from 1 July 2012 the Government will limit LAFHA access to:

- Employees who maintain a home for their own use in Australia, that they are living away from for work.
- A maximum period of 12 months in respect of an individual employee for any particular work location.





Human Resources

End of Year Employee Review

Year-end is traditionally a time for staff feedback, usually by way of the formal annual review. Here are some handy tips in conducting an employee review:

- 1 Prepare an Agenda, covering the points that you really need to get across to the particular employee. Otherwise discussions may be sidetracked.
- 2 Give the employee an opportunity to have their say - not only will this help you better understand their performance, but more broadly you will be amazed at how much information you will glean from your employees that enables you to review the business's goals and objectives.
- 3 Emphasise the positive aspects, not just the negative. Often employees are not so much looking for a big pay rise in the review process, but just a sense of recognition and appreciation for a job well done.
- 4 Provide the employee with a summary of the review so they can read it and agree to the points it contains, including any goals/benchmarks moving forward.

Business Tip - Increasing Your Prices

Things to consider before taking the price plunge!

With the Carbon Tax commencing on 1 July, many businesses will be looking to pass on any increase in costs to their customers.

Increasing prices can be tricky at the best of times, but particularly so in the current soft economy. If you are thinking about raising your prices, consider the following!

- **Flag in advance** – don't make the price rise a surprise! At a minimum, communicate the amount of the increase in advance, and perhaps the reasons behind it.
- **Testing** – test the new price on a handful of customers (ideally not the customers you can't afford to lose) before passing it onto the rest of your customer base. For retailers who can't pick and choose between customers, consider passing on the increase on your quietest day of the trading week.
- **Understand your margins** – what do you need to charge to cover expenses (this is a minimum requirement) and make a profit on a particular product/service?

