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## 2014/15 Federal Budget Overview

On May 13 the Federal Treasurer, Mr Joe Hockey, handed down his first budget. The intention was to reduce the deficit from its current \$49.9 billion to \$29.8 billion next year. The deficit is then forecast to reduce to \$17.1 billion in 2015/16 and \$10.6 billion in 2016/17.

In what Mr Hockey described as, "delivering balanced and credible budget repair", the 'heavy lifting'

in this budget will be done by families, pensioners, the under 35s and those that rely heavily on government assistance or subsidies. The Treasurer said the "age of entitlement is over" and has slashed welfare, tightened pensions and introduced a temporary tax debt. According to the Government, the Australian economy is forecast to grow at 2.5% in 2014/15.

Unemployment is forecast to reach 6.25% by the June 2015 quarter and remain at that level until the end of 2015/16. Inflation is forecast at 2.25% in 2014/15 and is projected to remain at 2.5% over the forward estimates to 2017/18. The key items announced in the Budget are outlined below.



## Personal Taxation

### New Temporary Budget Repair Levy

Approximately 400,000 individuals with incomes over \$180,000 will be subject to the Temporary Budget Repair Levy. A 2% levy on taxable income exceeding \$180,000 will take effect from 1 July 2014 for three years. In conjunction with the 2% FBT rate increase from 1 April 2015, this announcement is expected to reignite interest in tax planning opportunities.

### Income Tax

Including the Temporary Budget Repair Levy (assuming legislation receives assent) the personal income tax rates for the 2014/15 year (excluding the Medicare Levy) will be as per the table.

### Medicare Levy

The Medicare Levy will increase from 1.5% to 2% from 1st July 2014 (to fund the Disability Care Australia scheme) therefore individuals whose taxable income is in excess of \$180,000 will effectively pay 49% tax on income earned over that amount. For the 2013/14 year, the Medicare levy low-income threshold for families has been indexed up from the 2012/13 amount of \$33,693 to

Taxable Income	Tax Payable
0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$80,000	\$3,572 + 32.5c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,547 + 37c for each \$1 over \$80,000
\$180,001+	\$54,547 + 47c for each \$1 over \$180,000

\$34,367. The additional amount of threshold for each dependent child or student will be increased to \$3,156.

### Family Tax Benefit & Other Welfare Reforms

Eligibility thresholds for non-pension payments will be frozen for 3 years from 1st July 2014. This will include payments such as Family Tax Benefit, Child Care Benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance. A range of reforms to Family Tax Benefits have been proposed which will primarily limit the availability of these benefits.

- The Family Tax Benefit B (FTBB) primary earner income limit will be reduced from \$150,000 to \$100,000 per annum as of 1st July 2015. As such, around 10% of the 1.4 million families who currently receive FTBB will no longer receive the payment.

- Access to FTBB will be restricted to families where the youngest child is less than 6 years of age as at 1st July 2015. Transitionally, those whose youngest child is aged 6 and over on 30th June 2015 will continue to be eligible for 2 years. Under the current system, families could claim the benefit until the oldest child turned 18 provided they were still in education.

- Continued over page



## Personal Taxation - continued

- The income threshold for the Dependent (Invalid and Carer) Tax Offset (DICTO) will also be reduced to \$100,000 from 1 July 2015.
- The income thresholds of Family Tax Benefit Part A will no longer be linked to inflation and rates will be frozen until June 30, 2017.
- The payment rate for Family Tax Benefit A (FTBA) and Family Tax Benefit B (FTBB) will be frozen from 1st July 2014 to 30th June 2016.
- From 1 July 2015, a per-child add-on amount will no longer be used to calculate a family's higher income-free area for FTBA. The higher income-free area of \$94,316 will remain, without the add-on amount of \$3,796 for the second child and subsequent children.
- As of 1st July 2015 FTBA & FTBB end of year supplements have returned to their original rates (of \$600 and \$300 respectively) and will remain at that rate instead of being index linked.
- The FTBA Large Family Supplement (currently \$12.04 per child per fortnight payable on the third child and each child after that) has been changed and only applies to families with four or more children as of 1st July 2015.
- A new allowance of \$750 per child aged between six and 12 years will be introduced for single parents on the maximum rate of FTB Part A whose youngest child is between six and 12 years of age at which point they become ineligible for the FTB Part B. This allowance will commence from 1 July 2015.

### Medical Co-Payments

Costs for visits to the doctor (and out of hospital pathology and diagnostic imaging providers) will increase from 1st July 2015 when a co-payment of \$7 will apply. Concession card holders or children under 16 years will pay the \$7 for the first 10 visits per year. Prescription medicines will also cost more from 1st January 2015 with general payments increasing \$5 from \$37.70 to \$42.70 and concession payments increasing eighty cents from \$6.10 to \$6.90.

### Unemployment Benefits

Under the government's 'Earn or Learn' initiative, access to unemployment benefits for under 30s will only be available from 1st January 2015 after serving a six month waiting period and demonstrating job search and participation in employment services support. Then after six months, claimants will be required to participate in Work for the Dole to receive income support.

### Reduced Tax Offsets

Most dependant tax offsets have been abolished including the Mature Worker Tax Offset and Dependent Spouse Tax Offset (DSTO). The DSTO is replaced by Dependent (Invalid and Carer) Tax Offset (DICTO) for taxpayers with a dependant who is genuinely unable to work due to a carer obligation or a disability. Additionally, the income threshold for Dependent (Invalid and Carer) Tax Offset will be reduced to \$100,000 per annum

### Education

#### HELP Debt Repayments

Graduates will repay tertiary education loans at a lower income threshold of \$50,638 from 2016 (a 10% reduction) and the interest rate on loans will be changed to reflect the cost of borrowing (to a maximum of 6%).



### Apprenticeships

The 'Tools for Your Trade' program will cease from 1st July 2014 and be replaced by Trade Support Loans which offer HECS style loans of up to \$20,000 to apprentices in occupations on the National Skills Needs List. A 20% discount applies to apprentices who complete their apprenticeships.



### Non-Residents

For the 2014/15 year, a flat rate of tax of 32.5 per cent will apply to all taxable income of non-residents up to \$80,000. For taxable income exceeding \$80,000, the marginal tax rates for non-residents are the same as those for resident individuals noted above. Non-residents are also expected to bear the burden of the Temporary Budget Repair Levy.

# Budget Changes For Business

## Company Tax Rate

In the budget the Government announced the company tax rate will be reduced from the current rate of 30 per cent to 28.5 per cent with effect from income years beginning on or after 1 July 2015. The reduction will apply to all companies, however, for companies with a taxable income in excess of \$5 million the likely benefits from the rate cut will be largely offset by the imposition of the Paid Parental Leave (PPL) Levy. The PPL Levy will be charged at the rate of a 1.5 per cent on taxable income that exceeds \$5 million.

## Fringe Benefits Tax

Fringe Benefits Tax will increase from 47% to 49% from 1st April 2015 until 31st March 2017 to tie in with the introduction of the Budget Repair Levy for high income earners and to prevent avoidance of the levy.

## Superannuation Guarantee Contributions

The timetable for increasing Super Guarantee Contributions to 12% has been slowed. Superannuation Guarantee Contributions increase from 9.25% to 9.5% as of 1st July 2014 with the next increase scheduled from 1st July 2018 to 10%.

Effective Date	SGC Rate %
1/7/2013	9.25
1/7/2014	9.5
1/7/2018	10
1/7/2019	10.5
1/7/2020	11
1/7/2021	11.5
1/7/2022	12

## Mature Aged Workers

As of 1st July 2014, a new wage subsidy called 'Restart' will be introduced. It is specifically designed to encourage employment of Australians aged 50 or over who have been receiving income support (including Disability Support Pension) for at least six months. The maximum subsidy is \$10,000 and instalments will commence after the worker has been employed for at least six months. The maximum \$10,000 subsidy will be pro-rata for part-time employment and will be paid as \$3,000 after the first six months, another \$3,000 after twelve months, \$2,000 after 18 months and \$2,000 after 24 months.

## Research and Development Tax Incentive Reduced

The Research and Development tax incentive will be reduced by 1.5 percent from 1 July 2014 (from 45 to 43.5 per cent) for refundable tax offsets available to eligible entities with an aggregated turnover of less than \$20 million, and from 40 to 38.5 per cent for non-refundable tax offsets available to all other eligible entities.

## Superannuation & Retirement Changes

### Contribution Caps

From 1 July 2014 there is indexation of contribution caps. Regular indexation of the caps was legislated back in 2007, however, it has been frozen in recent years.

Year	Concessional Contribution Cap			Non - Concessional Contribution Cap	
	Age under 50yrs	Age 50 to under 60yrs	60yrs and over	Standard	3 year bring forward
2012/13	\$25,000	\$25,000	\$25,000	\$150,000	\$450,000
2013/14	\$25,000	\$25,000	\$35,000	\$150,000	\$450,000
2014/15	\$30,000	\$35,000	\$35,000	\$180,000	\$540,000

### Age Pension Eligibility & Preservation Age

The qualifying age for the age pension will become 70 by 1st July 2035. The qualifying age will increase by six months every two years transitionally for those born after 1st July 1958 as the previous government had already increased the retirement age to 67 as of 1st July 2025.

At this stage the government is silent on whether there will be an increase in the age when individuals can access their superannuation to bring it into line with the revised retirement age.



## Re-introduction of Fuel Excise Indexation

The fuel excise rate has been frozen at 38.143 cents per litre since March 2001 when it was abolished by the Howard government. The re-introduction of bi-annual indexation and excise-equivalent customs duty on all fuels (except aviation fuel) will commence from 1st August 2014 and will be based on the Consumer Price Index (CPI). The impact on businesses will be that they cannot claim a credit for the fuel excise under the Fuel Tax Credit system and will have to either absorb some or all of the increased cost, or pass it on to their customers.

## Business Start Up Corner - Thinking Of Starting A Business?

Once you have had that 'light bulb moment' and come up with your brilliant idea for your new business you want to get started in a hurry. However, before you make any big financial commitment you want to make sure the concept has 'legs'. A lot of people elect to establish their business under their own name or trade under a business name rather than establish a company or trust structure. Before you make your decision regarding the most appropriate business structure there are some key considerations.

It's a relatively simple process to register your business name with ASIC but from a legal and financial point of view there is a big difference between starting out under a business name and having a company structure. While there are a multitude of different options when it comes to business structures including sole trader, company, trust and partnership, whenever we provide advice on business structures we always look at other considerations including asset protection, the potential to admit new partners and eligibility for discount capital gains tax concessions. This is not the right forum to get technical so let's just look at the major distinction between trading under a business name and operating as a company.

Firstly, the set up costs are a lot lower to register a business name. The national business name registration system allows you to register the name for one year for \$33 or \$76 for three years. In the past you were required to register the business name in each state where you planned to do business which was costly and time consuming. Now you only need to register once to be registered in all states and territories of Australia. You can register a business by going to the ASIC website ([www.asic.gov.au](http://www.asic.gov.au)) and clicking on the Business Names drop down menu.

While this sounds very simple you need to understand that it doesn't necessarily

give you exclusive rights to use the business name. Registering a business name with ASIC lets you trade under that name but someone else could come along and demand you change your business name if they have trademarked the name before you and you are conducting a similar type business.

### Asset Protection

An incorporated company will cost more to register and operate but a company is regarded as a separate legal entity distinct from the business owner and can sue and be sued. It provides another layer of asset protection in the event of the business failing. This is a key consideration particularly in high risk industries like the building trades and manufacturing. With a business name you don't get this protection because you are the legal entity that simply trades under a registered business name. If something goes wrong your personal assets are on the line.

On the other hand, a company structure means the creditors are restricted to the assets of the company. This means your home is safe (unless you have lodged it as a guarantee for a company loan). As a Company Director, you can still be liable and accountable for breaches of the law but generally speaking, your personal assets are safe from creditors. In terms of asset protection there are three steps you can take:



1. Protect your business name and brand because it can be one of your most valuable assets. Don't think that because you have registered your company name or business name with ASIC that it is protected against others using it for similar businesses. This is not the case and for true protection you need to consider registering the name as a 'trademark' with IP Australia (<http://www.ipaustralia.gov.au>).
2. Protect your business with strong Terms and Conditions that can be listed on your website and on your quotes and contracts. These can provide some protection for your business to limit your liability but don't risk copying them from another website or writing them yourself. There are plenty of online templates available that could prove invaluable.
3. Insurance is designed to protect you from financial loss through things like accidents, stock damage, fire, theft and flood. We often talk through these options with clients starting a business and we urge you to do the same. Forewarned is forearmed and before you make your first sale they need to be in place.

Starting a business is a bit like a game of chess. You need to make the right opening moves and your business structure and issues like asset protection must be a priority. If you're looking to start a business talk to us today and we'll help you navigate your way through the start-up maze of structures, registrations, asset protection, insurances and accounting software.



## ATO and Superannuation

### Self Managed Superannuation Funds Under the Microscope

In Australia, Self Managed Superannuation Funds (SMSF) account for 31% of the total superannuation assets with nearly one million (8% of total super members) members. The ATO has encountered some common problems in its audits in previous years including:

- Loans and borrowings;
- In-house assets;
- Not investing at arm's length;
- Acquisitions from related parties;
- Lack of separation of assets;
- Sole purpose breaches.

The ATO will be reviewing every fund reported to it by approved SMSF auditors and last year 150 funds were declared non-compliant and 440 people were disqualified from being a trustee.

### Penalties for SMSF Trustees

The Government has approved administrative penalties applicable from 1st July 2014 to breaches of the superannuation laws, with particular impact on trustees of SMSFs who will be personally liable for penalties ranging from \$850 up to \$10,200 depending on the contravention. The fund cannot pay the penalty as the trustee is personally liable. Existing arrangements which contravene super law will also come under the new penalty regime so trustees need to rectify any contraventions as soon as possible to avoid the penalties. An example would be a loan to a member or relative which occurred before and still exists after the 1st July, 2014. Each individual trustee in this case would incur and be personally liable for a \$10,200 penalty. Such a loan would need to be repaid to the fund as soon as possible with commercial interest.



### Super Obligations Industries at High Risk

Employers in the following industries have been identified by the ATO as having a higher risk of not meeting their superannuation obligations:

- Beauty Industry and Hairdressing
- Clothing Retailers
- Management Advice and Consulting

## Where There's A Will...

Have you got a valid Will? If you've already made a Will, have you reviewed or updated it since there was a significant change in your life?

You'll need to make changes to your Will to ensure that it still meets all of your goals. Below are some events that may prompt a need for review of your Will.

- Has there been a change in your marital status (many states have laws that revoke part or all of your Will if you marry or get divorced) or that of your children or grandchildren?
- Has there been an addition to your family through birth, adoption or marriage (stepchildren)?
- If your spouse or a family member has died, has become ill or is incapacitated.
- Have you acquired or disposed of a significant asset?
- If your spouse, your parents or other family member has become dependent on you.
- Has there been a substantial change in the value of your assets or in your plans for their use?
- If you were to receive a sizeable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made a change in your estate plan (e.g., you created a trust or executed a codicil to your will)
- If you are a business owner, have you planned for the future of your business after you die?
- If you're a business owner, have you considered exit strategies from your business?
- Do you know how much money your family would need if you died, became seriously ill, or totally or permanently disabled today?
- Have you appointed someone to look after your affairs if you were to die or become incapacitated?
- Is your income protected and if so, are the protection measures sufficient for your family's needs?



## Claiming Travel Between Home & Work

Over the years one of the most commonly asked questions from clients is, 'can I claim the cost of travel from home to work'? Generally speaking, individuals travelling from home to their workplace cannot claim a deduction because the travel is classified as a private expense. However, you may be able claim travel expenses between home, your regular place of work or your alternative workplace but such claims can be a minefield for individuals. To assist you with some guidelines we have outlined what does and doesn't constitute deductible travel between home and the workplace.

### Claimable

Travel costs may generally be claimed when travelling:

Directly between two places of work (i.e. for a second job).

- From home to an alternative work site for work purposes (e.g. a client's premises) and back to home or back to your normal place of work.
- From your normal workplace to an alternative workplace and back to home or back to your normal workplace.
- When your home is your base of employment (see Note A below) and you start work at home, then travel to a workplace where you continue working for the same employer.
- Between shifting places of employment for itinerant work (see Note B below) where you regularly work at more than one workplace before returning home each day.
- Where you are required to carry bulky or heavy tools or equipment that you use for work and can't leave at your workplace (e.g. a double bass for a musician or a heavy power tools for a tradesperson).

### Notes

A - For individuals, your home can only be counted as a workplace if you carry out 'itinerant work' - that is, work that requires travelling from place to place.

B - Factors which would indicate your work is itinerant would be:

- The very nature of your work involves travel between various work sites and is fundamental to the role, not just because it may be convenient for you or your employer.
- You have a network of workplaces you travel to throughout the day.



- You are continuously travelling between work sites.
- Your home is the base of your operations – you start work at home and cannot complete it until you attend at your work site.
- You often don't know where your work sites for the day may be.
- Your employer provides a travel allowance in recognition of your requirement to travel continually between work sites and this allowance pays for the travel.

Examples of these types of itinerant workers would include sales representatives, trades people, commercial travellers or Government inspectors whose homes are their base of operations from which they travel to a number of workplaces throughout the day over an extended period of time. They may typically appear at the employer's workplace periodically (once a week for example) to file reports, organise new assignments or pick up supplies. Travel from home to the office in these limited circumstances would be treated as business travel and therefore claimable.

### What's Not Claimable

Below is a list of common misunderstandings of claimable travel:

- Travel for minor work-related tasks such as picking up or posting the mail on the way to or from work.
- Driving between home and the workplace more than once a day.
- Being on call and your employer contacts you at home to come into work.
- Shift work or overtime outside normal business hours.
- Your home is your base for your own business and you travel directly to a place of work where you are an employee.
- Some of your work is performed at home.

The rules are quite complex and we encourage you to consult with us regarding your specific travel queries.

**IMPORTANT DISCLAIMER:** This newsletter is issued as a guide to clients and for their private information. This newsletter does not constitute advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas..

# What's A Business Worth?

The answer to this question is a bit like asking, how long is a piece of string? There are so many variables when valuing a business but ultimately the business is worth what someone will pay.

Before you invest in someone else's business you need to complete an intensive due diligence process. This includes a detailed analysis of every aspect of the business including the financials, online reputation, the industry trends and the competitors. An impatient buyer who rushes the purchase without doing appropriate due diligence can end up regretting the purchase and pay 'over the odds'. In some cases, the process may require formal valuations of all the business assets including plant and equipment, vehicles and intellectual property (IP).

The vendor or owner usually sets the asking price and this valuation could be a reflection of their original purchase price, a multiple of future earnings, a percentage of actual revenue or the estimated cost of setting up a similar business from scratch. The vendor is obviously trying to maximise the selling price so it doesn't always accurately reflect the true value of a business and we often help clients do a valuation or encourage the buyer to seek an independent valuation. A recent survey conducted by CPA Australia found that more than 80% of potential buyers would have paid too much for their business if they hadn't carried out proper financial due diligence.

When valuing a business you often need to look at the various components of a business including:



- **Goodwill** is basically the reputation, viability and potential of a business. As such, it can be subjective and is independent of the other business components including plant and equipment, fixtures and fittings, debtors, work in progress and inventory. Goodwill should be assessed as part of the overall investment in a business that needs to be sufficiently profitable to at least cover the capital repayments after tax and provide a fair income for the new proprietor.
- **Assets** of the business may need to be considered independently and assigned a value. These might include buildings, land, equipment, inventory and fixtures and fittings. Often we look at their written down value (after depreciation allowances) or resale value when attaching a price. If the business for sale is a consultancy type business or in a service industry (medical, architect etc.) the majority of the assets are probably 'intangible assets' like intellectual property and goodwill. In such cases you are selling a client list or database so make sure you keep it up to date.
- **Work In Progress** will include any jobs semi-completed and existing contracts the purchaser will inherit.
- **Intellectual Property (IP)** is often described as commercial ideas that are generally protected by copyright, patent, design or trademark registration. These can be hard to

value and might include things like the business or company name, trade secrets, industrial processes and knowledge banks of information that you have documented.

- **Vendor Liabilities** - A buyer may have to take on responsibility for employee entitlements such as holiday and long-service leave. These entitlements would be calculated at settlement and be deducted from the agreed purchase price. The liabilities of the vendor are typically excluded from the sale price and the vendor would normally pay the creditors at settlement. Similarly, a buyer would not take over the debtors of the business at settlement. In some cases, the buyer may take on existing finance arrangements for equipment and this could be another adjustment on sale or the buyer might simply agree to take on the ongoing loan payments. Each case needs to be assessed on its merits.

The process means both the buyer and seller will arrive at their own valuations and then negotiations take place. The valuation can be based on other variables including the general condition of the business and the assets, market supply and demand, the profitability, prevailing economic conditions and cash flow. For businesses costing under \$350,000 (excluding stock), a Vendor's Statement (or Section 52 Statement) must also be provided by the vendor to a prospective buyer.



## Why Your Business Needs To Be Google Friendly

In the digital age customers use all sorts of devices to research and find the goods and services they need. Mobile devices like smartphones and tablets are growing in popularity and the search engines can now use a phone's GPS to find out where the customers are and then locate businesses near them.

Search engine optimisation, or SEO, is simply the techniques and practices used to help your business list as high as possible on page one of the search results for Google and other search engines like Yahoo and Bing. New research from online ad network Chitika suggests that the top listing in Google's organic search results receives 32.5 percent of the traffic, compared to 17.6 percent for the second position and 11.4

percent for third position. What this means is that 61 percent of visitors don't go past the third position on page one of search results. The research also showed a significant drop in traffic from Page 1 to Page 2 results. On average, page 1 gets 91.5% of all traffic while page 2 manages less than 5% and page 3 just over 1%. The important message is this, very few of your prospective customers make it past the top three listings on the first page.

When a search engine like Google lists its search results it provides you with two types of search results, organic and paid. Organic or 'natural' search results are free and are the web page listings that

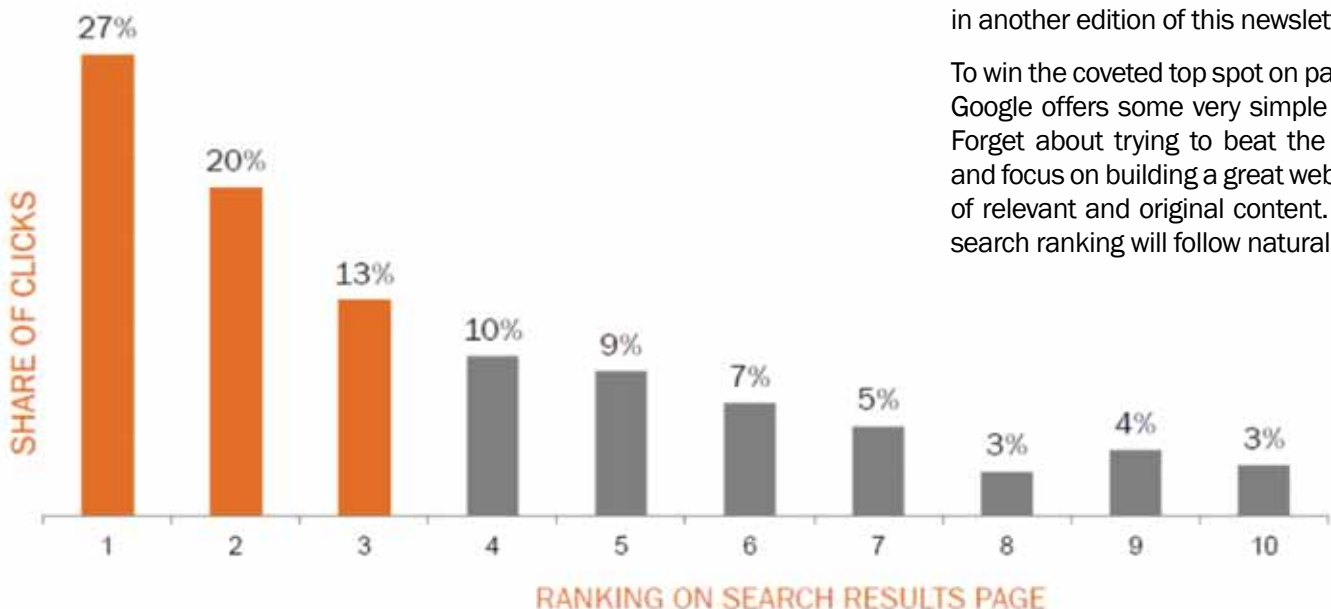


most closely match the search phrase. When people talk about SEO they are talking about improving your ranking in the organic results. The second type of search results are 'paid' results which are basically advertisements targeting certain keywords. On a search results page you can identify the paid results because they appear above or to the right of the organic results. They usually have a shaded background and a border around them or the word 'Ad' appears next to the listing.

There is a place for both SEO (free traffic) and paid ads (like PPC or 'pay per click') in the bid to optimise your website. We will examine the benefits of SEO vs PPC in another edition of this newsletter.

To win the coveted top spot on page one, Google offers some very simple advice. Forget about trying to beat the system and focus on building a great website full of relevant and original content. A good search ranking will follow naturally.

### 60% of all organic clicks go to the top three organic search results.



## Mobile Money

While all the banks have mobile phone apps to allow online banking, the CBA recently announced the launch of their new small business mobile app. It allows small business customers to write estimates and turn them into invoices on the spot. It has basic analytics including daily transactions to help business owners track cash flow and includes BPay and electronic funds transfer as standard payment methods. The app works with the bank's new mobile payments terminal, Emmy which costs \$30 a month and 1.5 per cent commission for amounts over \$1500. Businesses can accept card payments such as tap and go, chip and PIN code.

Launching soon, 'PayPal Here' is a new mobile payment device designed for small businesses and casual sellers. It includes a small card reader which pairs with a dedicated mobile app via Bluetooth to create a portable and wireless point-of-sale terminal. It's designed to read credit cards with chip and PIN security as well as debit cards from VISA and MasterCard. Along with taking card payments, the system can also be used to generate invoices and log cash transactions. A small business owner simply downloads the 'PayPal Here' app on their smartphone, the mobile is used to input the cost of the sale and then the transaction is completed with the customer inserting



their card into the reader and entering their PIN on the keypad. A small device like this could alleviate small businesses from the full set up cost of a larger point of sale terminal with obvious appeal for street vendors, market sellers and mobile businesses.

Set up involves a one-off charge of AU\$139 for the card reader plus a percentage of fees charged to the merchant

for each payment (1.95 per cent for credit card payments via the card reader, 2.4 per cent + 30c for invoicing and 2.9 per cent + 30c for credit cards keyed into the app without use of the card reader). Registration for the waiting list for the new product is available on PayPal's website.

## READING CORNER – The E-Myth Revisited

### Why Most Small Businesses Don't Work and What to Do About It

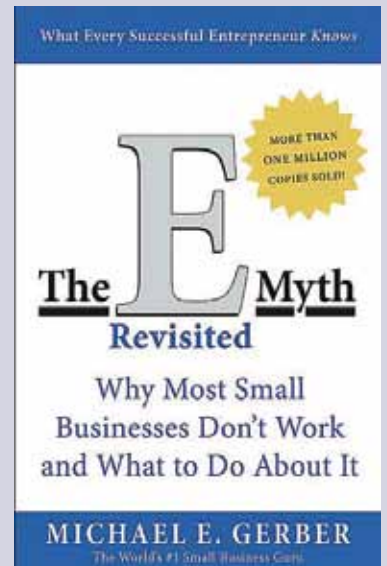
*by Michael Gerber*

#### Why Read It?

A must read for any small business owner or for any aspiring entrepreneur. The eMyth (or Entrepreneur Myth) is that great businesses are started by someone with good technical skills, be that a solicitor, florist or programmer. They start their own business to escape the drudgery of working for someone else and strike gold. This is the myth because many successful small business owners work far longer hours, hate much of their working day and don't actually make that much money. In fact, many of them would be happy to go back and work for 'the man'. Gerber inspires the small business owner to implement processes and systems based on the franchise model to allow the owner to work 'on' the business, not 'in' the business.

#### What You Will Learn...

Gerber dispels the myths surrounding starting your own business and shows how commonplace assumptions can get in the way of running a business. The life of the business from entrepreneurial infancy through adolescent growing pains, to the maturation of the business, is examined to enable you to grow your business in a predictable and productive way.



## One Stop Shops for Social Media

You have all your social media up and running. You've got a Twitter account, Facebook for business page, LinkedIn, Foursquare, Google+ page, Blogger, Instagram, Slideshare, YouTube, Flickr, Tumblr and more. If you wish you could manage all these things in one place, the good news is you can.

**HootSuite** is a dashboard for all your social network accounts which allows you to update them all at one time. You can manage multiple Twitter, Facebook (profiles and pages), LinkedIn, Foursquare and Google+ networks all from one place. Once the account is set up, simply select which social media tools you have, synch them with HootSuite and you can automatically post messages and updates directly to all or some of your social media accounts at the one time. You can pre-schedule updates, tweets and blogs within limits in the free version with further functionality in the Pro Version (starts at A\$10.49/month) or Enterprise version. Also the team collaboration functionality (delegate replies, tweets, mark as done, track messages etc.) is not available in the free version. Mobile

apps for HootSuite are available for iPhone, Android, iPad and Blackberry and there 3 basic analytics reports included in the free version.

**Bufferapp** – the free account allows you to store up to 10 posts in your queue to post later and includes the main social media platforms (Facebook, Twitter, Google+ Pages and LinkedIn). The Awesome account is \$10/month.

Each of these apps offer pros and cons depending on your personal preferences. Hootsuite provides a more complete solution allowing you to schedule updates and monitor conversations, while Buffer isn't a dashboard that shows you other people's content. However, Bufferapp has superior scheduling flexibility over Hootsuite because you can designate very specific scheduling times and change patterns throughout the week. Many people use both Hootsuite (to listen) and Bufferapp (to schedule) and it really depends on your posting needs.

Other social media dashboards available include:

**Tweetdeck** – manages Twitter only (free)

**Sendible** – similar to HootSuite with a starting price of \$9.99/month for solo

**Grabinbox** – although basic, this app is free and allows you to manage multiple Facebook (profiles and pages), Twitter and LinkedIn profiles.

**SocialOomph** – has useful features like the others including scheduling tweets, tracking keyword, viewing mentions and retweets but additionally SocialOomph is the only provider (premium users only) that allows you to set up auto-follows, auto-direct messages and auto-responders for new followers if you want to reciprocate follows.



### TECH CORNER

## Parking Fines a Thing of the Past with Parking Maestro

A new free iPhone app developed by two Brisbane men could ensure you never get another parking fine.

The app uses the phone's inbuilt GPS to alert users when they need to start walking back to their cars before their ticket expires. Users scan or input parking details, the phone will track their movements

and use an algorithm to tell them when they need to begin walking back to their cars. It could also save losing track of where you parked your car.

Currently only available for iPhones via iTunes and through **www.parkingmaestro.com**. The app is being adapted for Android.



## A MINUTE ON MARKETING

# 7 Killer Marketing Words

Some say, the pen is mightier than the sword and in marketing there are key words that can motivate the reader or customer to take action. In this article we explore seven words and phrases that are proven to boost engagement with prospects.

### 1. You

This is the most powerful word in marketing. Your reader doesn't care about your point of view or your company. They only want to know 'what's in it for me'. To create effective marketing copy you need to address the needs, frustrations and problems of your target audience. Speak to them directly about their needs and the basic rule is to use the words "you" and "your" at least twice as many times as words like your business name, "we", "us", "ours", "me" or "I".

### 2. Guarantee

When you can back your product or service with a guarantee, especially a 100% money back guarantee, you provide your customer with a sense of security. By minimising the risk you can prompt customers to proceed with their purchase on the grounds that they have nothing to lose and everything to gain by purchasing from you.

### 3. Free

Although the impact of the word 'free' may have diminished in recent years it is still an effective marketing word. The impact of the word has fallen when linked to things which are obviously free such as a 'free quote' or a 'free consultation'. If you can articulate the value of what you are providing for free, that adds real spice to the offer. Approach your free offers by

ensuring that they provide something of value to the customer and then evaluate how effective that word becomes in your marketing.

### 4. Instant

In today's fast-paced environment your customers have short attention spans and expect instant gratification. Most people want instant results with just about everything, so providing an instant element to your offering, such as immediate access, instant download, fast delivery or immediate results means you are more likely to engage with today's impatient customers. Just be careful that you can deliver on your promise and if there is a chance that you (or one of your suppliers) cannot fulfil the 'instant' promise, leave it out altogether.

### 5. Easy, Quick or Shortcut

Again, that desire for instant gratification means customers will look for whatever is required to speed up the process or make the process easier. If your product has the ability to make your customer's life easier then spell it out. Make it clear that it's a specific benefit of your product or service. Perhaps you can provide the shortcut to what they're looking for and deliver what they want in record time. The easier and quicker something is, the more desirable it becomes in the mind of your customer.

### 6. Never

The word 'never' is specifically for use when outlining potential negative

benefits of your product or service. Negative benefits are things that your customer would like to avoid. Examples might be 'never miss a payment again' or 'never scrub your toilet again'. Obviously this depends on the type of business you are in but the key to the use is to make the negative benefit realistic, important and relieve them of a frustration or fear.

### 7. Proven

A little over used these days but having a track record of achieving results helps to eliminate the risk and removes the fear of buying from you. By being able to prove that you can deliver on your promise adds credibility to your message. You would need to outline exactly how and why it is proven or draw on testimonials and case studies to show that it is proven.

So, there's the list of 7 key words to use in your marketing collateral and they are particularly important when you draft the headline for your next advertisement or article.



## 2014 - Individual Tax Returns

### Income

- Gross salary, wages, allowances, benefits, earnings, tips, Directors Fees and Insurance for lost wages.
- Income from business activities.
- PAYG Payment Summaries.
- Details of any non-cash benefits received including discount(s) on employee shares or rights.
- Lump sum and termination payments. All documentation should be provided including an ETP Payment Summary from the employer or fund.
- Government Social Security payments, including pensions, unemployment and sickness benefits.
- Details of any CGT asset sales (e.g. shares, business and real estate). Please include dates of, and costs associated with, acquisition and disposal (You can save tax if you qualify for the variety of CGT concessions).
- Annuities, including allocated pensions or superannuation income streams.
- Income from trusts and partnerships. Statements of distribution should be provided where appropriate.
- Rental income.
- Interest and dividends received from any source including life insurance or friendly society bonuses and any tax deducted. Include details of franked dividends (i.e. imputation credits).
- Foreign source (employment and pension) income and details of any foreign tax credits.

### Deductions

- Investment and property expenses (carefully detail interest and repair claims).
- Subscriptions (not including sporting or social clubs).
- Employment related expenditure such as work-related motor vehicle, self-education, protective clothing, tools, uniform and laundry expenses.
- Donations of \$2 and over.
- Income Protection Insurance Premiums.
- For Self-Employed persons, details of any Superannuation Contributions made.
- Tax Agent Fees and other accounting/tax audit fees.
- Special deductions (Australian films, investment shelters and agribusiness-type schemes).
- Bank fees (where the credit or deposit represents assessable income).
- Unrecouped prior year losses.

### Rebates

- Private health insurance annual statement.
- Details of superannuation contributions where no tax deduction can be claimed.
- Any changes in dependants, children's details, DOB and any Centrelink benefits applicable (income of spouse should also be provided).
- Details of any income received in a lump sum which was accrued in earlier income years (e.g. assessable pensions).



- Details of any remote work performed for 183 days or more.
- Net family medical expenses if they exceed \$2120 in total (i.e. medical expenses paid net of reimbursements from Medicare and/or health fund). This can only be claimed by taxpayers who claimed this offset in 2012/2013.
- HECS Debt details.

### New Clients

- Last Year's Notice of Assessment and Tax Return (if available).

### 8 Most Common Errors in Income Tax Returns

1. Omitting Interest Income
2. Incorrect or Omitted Dividend Imputation Credits
3. Capital Gains/Losses are Incorrect or Omitted
4. Understating Income
5. Home Office Expenses
6. Depreciation on Rental Property Fixtures and Fittings
7. Depreciation on Income Producing Buildings
8. Borrowing Costs associated with Negative Gearing

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# 2014 - Companies, Partnerships, Trusts and Other Business

## Income

- Trading Income.
- Other Income (e.g. Rent, Interest, Royalties).
- Stock on Hand at June 30, 2014 (and basis of valuation) – note any obsolete stock.
- Work-in-Progress at June 30, 2014
- Primary Producer subsidies (if assessable).
- Details of CGT assets (e.g. shares and real estate) sold, including dates of, and costs associated with acquisition and disposal.
- Dividends, including details of franking credits.
- Income from foreign sources including details of any foreign taxes paid.

## Deductions

- Repairs and maintenance.
- Salaries, including fringe benefits.
- Fringe benefits tax paid.
- Rates, land taxes and insurance premiums.
- Advertising expenses.
- Interest on borrowed monies.
- Deductions relating to foreign-source income.
- Prepaid expenses (subject to transitional rules).
- Retirement payments and golden handshakes.
- Bad debts actually written off during the year.
- Donations of \$2 and over depending on the recipient.
- Commissions.
- Legal expenses.
- Lease or Chattel Mortgage payments on motor vehicles and equipment.

- Losses of previous years (or intra-group transfers).
- Superannuation contributions.
- Subscriptions.
- Car expenses (remember to include petrol, repairs and parking and maintain a log book where necessary).
- Tax agent's fees and other accounting and tax audit fees.
- Royalties paid.
- Details of the destination and purpose of any interstate or overseas trip. Expenses must be fully documented where travel involves at least one night away from home. Travel diaries should be included where travel exceeds five nights.
- Research and development expenditure.
- Bank fees (where the credit or deposit represents assessable income).

## Liabilities

- New loans taken out during the year and their purpose, including any new lease or chattel mortgage agreements.
- Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year.
- Provisions for long service and annual leave.
- Creditors at June 30, 2014.
- Details of loan accounts to directors, shareholders, beneficiaries and partners.
- Accrued expenses (e.g. audit fees, interest payments).
- Commercial debts forgiven.

## Assets

- Details of depreciable assets acquired and/or disposed of during this income year, including:
    - type of asset;
    - date of acquisition;
    - consideration received/paid.
  - Lease commitments.
  - Debtors at June 30, 2014.
  - Commercial debts forgiven.
- ### Additional Information Required
- Franking account details/movements.
  - Overseas transactions, exchange gains/losses.
  - Private companies – remuneration or loans to directors, shareholders and their relatives.
  - Changes to the capital of the company.
  - Whether family trust elections have been made in relation to trusts.

### Note:

To ensure that you obtain the maximum deductions to which you are entitled and in consideration of the penalty provisions, FULL DETAILS of any claim should be provided and supporting documentation made available. For employee taxpayers and for travel and motor vehicle claims by self-employed taxpayers, documentation must be a receipt, tax invoice or similar document which contains certain details. For other taxpayers, documentation may comprise receipts, dockets, diary notations or reasonable and supporting estimates.

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