

# Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



## SHANE ROBERTS AND ASSOCIATES PTY LTD

accountants & business advisors

### Protect carried forward losses

**W**ith the population ageing, conditions are set for businesses to change ownership and direction. Combined with a slower economy and declining business performance, circumstances are perfect to cloud the water in relations to safeguarding of carried forward losses.

Few businesses plan to make a loss, but it does happen. The ATO allows business a deduction for such losses, but the rules can be complicated and the tax office casts a particularly keen eye over such claims for losses.

In Australia, there are nearly 100,000 small businesses. Although they contribute around 10 per cent of the total tax collected they account for around 25 per cent of all carried-forward tax losses. They also form the most mobile group in terms of ownership. It is understandable then that this sector is very much on the ATO's radar, particularly where business operate at a loss consistently.

Tax losses can be carried forward indefinitely to offset against future income. To prevent trading in company losses, there are limits on companies recouping their losses. Initially intended to prevent specific loss activities,

tight rules mean that legitimate losses may be forfeited where conditions or tests are not satisfied.

#### Which tests?

Businesses should be aware of the tests they have to meet in order to be able to claim losses of previous years. In order to recover prior year losses, a company must satisfy the "continuity of ownership" test. Broadly speaking, this means that the majority of ownership does not change. If it fails the "continuity of ownership" test, it may still be able to offset losses provided it satisfies the "same business" test, that is, if it carries on the same business when it offsets the losses as it carried on when it breached "continuity of ownership" test.

Whilst these tests may seem relatively simple, they can become quite complex and technical in nature, particularly where multiple entities become involved. Careful planning needs to be the order of the day to ensure that businesses are able to take advantage of carried forward tax losses. If a change in ownership or a change in business activities is being considered it is advisable to get advice early. Careful planning eliminates or minimises the negative impacts of claiming losses.

#### KEEPING YOU ON THE RIGHT TRACK

We can help your business and your personal finances stay on the right track.  
Call us now and we'll arrange a meeting to discuss:

- Strategies to help your business improve its efficiency and profitability
- Reducing the burden of taxes on your business
- The tax issues that affect you and your family
- Maximising your wealth
- Retirement planning strategies for you and other family members

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#### 3RD QUARTER 2008

Protect carried forward losses  
•  
The department of youth  
•  
Fuel tax credit update  
•  
Successful staff consultations  
•  
Benchmarks to assist  
compliance

# The department of youth

**T**hough often undermined as a fickle lot, business owners have a lot to learn from Generation Y. The positive characteristics of young workers are often overlooked and underestimated, but they can bring a breath of fresh air to your workplace.

They're in trouble all the time. You read about them in the papers. They ain't afraid of high power and they're bulletproof. Much has changed since 1975 when Alice Cooper croaked his way through "Department of Youth", but his lyrics still have resonance with Generation Y today. Though separated by technology, both Cooper's youth and Generation Y hold dear a sense of reckless bravado, a keen eye to social issues, and a desire to make a difference. So why aren't more employers utilising these tech-savvy, socially aware, young enthusiasts?

## Talkin' bout my generation...

Unfortunately for Gen Y, the more employable aspects of their nature are often obscured within the mainstream media. A less favourable image of Gen Y as the mobile-phone toting, narcissistic party-goer is more likely to grace the covers of most newspapers. Some common presumptions of Gen Y include hedonistic tendencies, constant job-hopping, a lack of direction, being irresponsible, and a disrespect for authority figures.

It must be remembered that these generational generalisations are merely exceptions to the rule that have burdened the career-prospects of many youths who break this mould in many ways. So how can employers best incorporate young people in their workplace to avoid the stereotypes?

## Facing the Facts

A defining rift between the generations and their employment patterns appears when considering their priorities. Statistics have shown the imperatives of Gen Y in the workplace as:



- Avoiding boredom - 'never being bored' is crucial to their wellbeing and direction
- Prioritising training, engagement with management, work-life flexibility, staff interaction, opportunities for growth, responsibility and recognition ahead of salary
- Desiring chances to display and utilise their skills
- Taking risks - Gen Y are less static than other generations and believe risk-taking is essential for innovation
- Entrepreneurial tendencies - statistics place Gen Y as the most business-minded generation in history thanks to their utilisation of new technologies
- Partaking in part-time work - many Gen Yers have a diverse skills set as a result of handling multiple casual jobs at once.

Not only that, but broader attributes of Generation Y outside of the office see them largely valuing patriotism in the wake of international terrorism and globalisation, being more active in their concerns of global issues. Having sprung from an era devoid of major world wars, depressions and economic recessions, the Gen Y worldview is a largely optimistic one.

However, this characteristic is often misconstrued as complacent flippancy; so often painted in the picture of the ungrateful and spoiled youngster running amuck with their credit card.

Material wealth has afforded young people today greater access and

understanding of the constantly evolving technological arena - a business asset largely untapped due to stereotypical ideas of youth inadequacies in employment.

## Ch-ch-ch-changes

So while they may be spat on as they try to change their worlds, the kids of today are aware of the changing workplace environment, and what they want from it. Being the most success-oriented and well educated of all the generations, employers must make some changes to incorporate the youth of today into the workplaces of tomorrow...

- Greater job responsibility - Gen Y workers often complain of performing menial tasks below their perceived abilities. Utilise them in more tangible ways with measurable results and rewards for their efforts
- Exploit the technology factor - create working incentives for young workers such as a mobile phone or laptop allowance, for example
- Endorse a fun-loving working environment - try to make your workplace as people-oriented and casual as possible (but always draw the line! There is a time and place for all things)
- Accept the reality - Gen Y workers leave their jobs more frequently due to changes in the marketplace. Casualisation of the workforce and a widespread talent shortage has meant myriad job opportunities. Try to accept this fact, and increase the incentives for your Gen Y workers to stick with you.

# Fuel tax credit update

The Fuel Tax Credit Scheme commenced on 1 July 2006 as part of the Governments plan to simplify the fuel taxation system. These plans included replacing the previous system of fuel grants and rebates with a single fuel tax credit. From 1 July 2008 many small businesses will be able to claim fuel tax credits for the first time, and many others will be able to claim additional fuel tax credits previously unavailable.

## What are fuel tax credits?

Fuel tax credits help reduce fuel costs by providing a credit for fuel tax included in the price of fuel when used for specified activities. The fuel tax credit rate that applies varies in line with each eligible activity.

## Eligibility requirements

To claim a fuel tax credit businesses must be:

### 1. Registered for GST and fuel credits.

Fuel tax credits are claimed on Business Activity Statements. In order to claim fuel credits, businesses must be registered for both GST and fuel credits. Fuel tax credit will be the same

as the GST tax periods. Businesses may vary their GST tax period to access the credits more frequently, but will need to consider the impact that this may have on their business activity reporting obligations.

**2. Undertaking eligible activities.** Fuel tax credits now provide business with a credit for the fuel tax (excise or customs duty) included in the price of fuel used in business activities, machinery, heavy vehicles, plant and equipment.

**3. Using eligible fuels.** Fuel tax credits may be claimed for fuel used in carrying on a business. The only fuels that are not eligible are fuels used in cars or other light weight vehicles travelling on public roads, alternative fuels and aviation fuels.

In addition, businesses may be required to meet environmental and Greenhouse Challenge programme conditions.

All claims are self assessed. This means that businesses are responsible for their own calculations and maintaining records that substantiate their fuel tax claims.

Whilst the recent changes are set to provide significant benefits, business owners need to ensure they clearly understand the criteria to take full advantage.

## Fuel credit checklist

Careful planning is required to maximise benefits while ensuring compliance with the Scheme requirements. The following questions should be considered to ensure you take advantage of the new fuel tax credit regime:

- Is your business eligible, or likely to become eligible to claim fuel tax credits?
- Has registration for fuel tax credits been completed?
- Has the impact of fuel tax credits on pricing and profitability been taken into consideration?
- Has your business considered the use and effect of "passing on" clauses in construction, transport and other contracts?
- Are there competitive risks as a result of not claiming all fuel tax credits correctly?
- Do internal systems support the identification of on-road and off-road use of fuel?
- Have policies and procedures been established to claim fuel credits correctly?
- Have records been kept to support claims for fuel tax credits?

# Successful staff consultations

Your employees are the foundation of your business, helping keep it afloat among a tide of uncertainty and competition. As such, it is crucial that you meet with them regularly to steer the course of your company in the right direction.

## Getting to Know You...

Your staff will be more receptive to advice, and more willing to approach you with any queries or problems in your business if you foster a friendly team environment. Make it your duty to meet

with your employees regularly for staff consultations, helping you address the issues that arise in a practical, efficient and budget-friendly way. Getting to know your employees will also help them to feel a part of the team, and understand their place in achieving goals for your business.

## Get Together

Though many would shudder at the idea, staff meetings need not be a bore! Set aside one day per month to meet with staff, following a clear agenda that includes every member of the business, to ensure that everyone is clear of your company's objectives, problems and goals. Spice

things up a bit by enticing staff to attend-offer a small lucky door prize, or include a social aspect to the occasion by planning a group excursion to a local venue. This relaxed environment should take some of the pressure off your staff, and help drive discussion.

## Get Feedback

Consultations with staff should not be a one way process. Ensure that you not only receive staff feedback (in the form of monthly progress reports for example) but that you also get back to your staff on how you acted on their ideas or problems. Staff consultations should be a mutually beneficial process, and by highlighting any frustrations or problems early, future problems can be avoided through communication.

## Get Creative

Don't limit your staff's potential to bring their ideas to the plate! Encourage the use of an 'ideas' or 'suggestion' box in your business, allowing them to remain anonymous. Also, why not run a brainstorming gathering to collectively consider how best to approach certain tasks, or solve problems together.



# Benchmarks to assist compliance

Each year the ATO reviews compliance risks within the tax system. Risks that are identified are generally incorporated in their annual compliance programme, which outlines what corrective action will be taken by the Tax Office.

In the latest compliance programme the ATO outlined their plans in relation to the establishment of qualitative industry benchmarks to help trades and other businesses to assess and manage their own tax risk. The Tax Office has recently been developing these industry benchmarks with trade associations to help tradespeople comply with their tax obligations.

The benchmarks will provide guidance

on the amount of time and materials involved in an average job in certain industries. Businesses will be able to compare their performance to the rest of the industry and check that their records reflect their business practices.

The benchmarks provide guidance on the amount of time and materials involved in an average job in certain industries, such as the number of litres of paint used by a painter. These 'inputs' are based on the factors a tradesperson uses when preparing a quote for a client.

Businesses can use the benchmarks to compare their performance to the rest of the industry and check that their tax records accurately reflect their business practices. The ATO uses benchmarks to identify businesses which do not

statistically match these benchmarks.

The benchmarks initially published will include floor sanding, roofing and painting industries with other benchmarks

## A Great Read

Perfect Selling: Open the Door, Close the Deal

Author: Linda Richardson  
(McGraw-Hill)

It is a fundamental part of the selling process. It can win business and get new clients on board. Yet it also strikes fear in the hearts of many salespeople. The sales call is the most confrontational and least understood part of selling, and can often be the deciding factor between sales success and failure. Linda Richardson harnesses thirty years of sales training expertise in her tenth book, Perfect Selling: Open the Door, Close the Deal, delivering a succinctly written and action-oriented guide to help readers improve their sales call objectives.

Using a simple 5-step daily plan, Richardson tackles the most challenging aspects of the personal and telephone sales call to ensure that every minute of the meeting achieves maximum value. Perfect Selling has enjoyed success in its own right, having recently reached USA Today's Best Seller List. And it's bound to help others enjoy sales success and increase confidence in closing a sale. In a time when market competition is high and consumer spending dwindling, it's good to know there's people like Richardson around to make the already difficult sales task less daunting. This short and easy-to-read guide is a heaven-sent sales bible for the apprehensive salesperson.

Business and personal planning need not be left until the end of the tax year - talk to us now about tax and financial strategies for you and your business.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

## WEB WATCH

### ESSENTIAL SITES FOR BUSINESS OWNERS

#### [www.businessweek.com](http://www.businessweek.com)

Read the latest international business news & stock market news. Get updated company profiles, financial advice, global economy and technical innovation from around the world.

#### <http://www.investopedia.com>

Brush up on your investing knowledge with this educational site. Including links to resources on personal finance, retirement tips, investing properties and bonds, this site also contains a handy dictionary full of helpful financial hints.

## REMINDERS FOR YOUR DIARY

### AUGUST

- 11 Activity statements - Quarter 4 (April - June 2008): final date for electronic lodgment and payment.
- 14 PAYG withholding - Final date for lodgment of the PAYG withholding payment summary annual report.
- 21 July 2008 monthly activity statements: final date for lodgment and payment.
- 28 Superannuation guarantee charge statement - quarterly (if required contributions were not made by the due date) for quarter 4 2007-08.

### SEPTEMBER

- 21 August 2008 monthly activity statements: final date for lodgment and payment.

### OCTOBER

- 21 August 2008 monthly activity statements: final date for lodgment and payment.
- 21 Annual PAYG instalment notice: final date for payment and, if using the rate method or varying the instalment amount, final date for lodgment.
- 28 Activity statements - Quarter 1 (July - Sept 2008) final date for lodgment and payment.
- 28 Superannuation guarantee contributions for quarter 1 2008-09 (1 July - 30 September) to be made to the fund by this date.
- 31 GST - Annual GST return (option 3) or Annual GST information report (option 2) lodgment and payment (if required) is due when the income tax return is due.
- 31 Income Tax - Final date for lodgment of individual, partnership and trust income tax returns.
- 31 Annual investment income reporting - Final date for lodgment of the Annual investment income report (AIIR) for all investment bodies.