

Q4 2017

BUSINESS MATTERS

Strategies for managing your business



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Are you ready to expand your business?

When business is going well, many owners look to expand their business. Consider the following advice before doing so:

Regular customers

A sound indicator of whether or not your business is ready for expansion is to consider your customer base. To feel comfortable in expanding, you should have regular and loyal customers that return to your business. Regular customers that appreciate and value your business can be more helpful than you may realise; they can bring in more customers by speaking positively about the business. When you begin thinking about expanding, it would be worthwhile to create a survey or questionnaire, asking what could be done to improve the service your business provides. Any feasible suggestions should be implemented before expanding.

Financially ready

There are a lot of expenses associated with expanding your business. Hiring and training new staff, paying for new hardware and software, and any other technology needed to facilitate growth all costs money. Additional rent on another office space and bills can add up to a sizeable figure. While you may be able to afford all of these expenses that come with expanding your business, consider whether the profit you will make from implementing all these changes will be

fruitful and worthwhile for the business, or whether it will be a loss in the long-run.

Resources

Money is not the only resource you need to expand successfully. You will need adequate space. To gain more space consider whether you will open a second or third office or whether you will allow for more flexible working conditions, such as allowing staff to work remotely. Evaluate whether you have enough staff to handle a larger business; this includes answering phones, responding to emails, assisting customers in store, etc. If your business is one that makes deliveries, you will need to organise additional resources such as another delivery truck and potentially more delivery staff.

Develop a strategy

It is naive to assume that expanding will be a straightforward process. Regardless of how many loyal customers you have or how much money you have, without a sound business strategy, the likelihood of achieving success is slim. Plan how you will manage the expansion through completing a SWOT analysis. You should prepare a budget that will enable you to expand successfully; you will need to submit a financial application and analyse how current cash flow will enable or hinder the process. When you put your business plan into action and start expanding, regular and thorough reviews should be undertaken to stay on top of how well the process is going.

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Legislation passed to protect vulnerable workers

Vulnerable workers are set to receive better protection after the Fair Work Amendment (Protecting Vulnerable Workers) Bill 2017.

The Bill contains measures such as an increase in the maximum penalties for employers who deliberately flaunt the minimum wage and other entitlements under the Fair Work Act 2009.

The new laws will apply from the day after the Bill receives royal assent, except for the new franchisor and holding company liability which will start six weeks later.



Franchisors and holding companies will be held responsible for underpayments by their franchisees where they know, or reasonably should have known, about the contraventions and failed to take reasonable steps to prevent them.

The new laws will:

- Apply to franchisors that have a significant degree of influence or control over the franchisee's affairs.
- Apply new, higher financial penalties to 'serious contraventions' which are 10 times the current maximum penalties. A court could impose these higher penalties where an employer knew they were breaching their obligations and this conduct is part of a systematic pattern of behaviour. Maximum penalties of \$630,000 and \$126,000 per contravention could apply to corporations and individuals respectively.
- Double the maximum penalties for record-keeping and pay slip breaches, to \$12,600 per contravention for individuals and \$63,000 for companies, and triple existing penalties where employers give false or misleading pay slips to workers, or provide the Fair Work Ombudsman (FWO) with false information or documents.

Furthermore, where an employer has not met their record-keeping or pay slip obligations, the employer will have to disprove a wage claim put before a Court unless the employer has a reasonable excuse for not keeping records or issuing pay slips.

The Fair Work Ombudsman will be given new evidence gathering powers to require a person to provide information or documents to the FWO or to attend before senior FWO officials to answer questions on oath or affirmation relating to underpayment of workers.

Individuals will have stronger protections with the strengthening of the FWO's new evidence powers including rules preventing the evidence a person gives from being used against them personally, the right to have a lawyer present if they attend to answer questions, the right to claim reimbursement of reasonable expenses and supervision by the Administrative Appeals Tribunal and the Commonwealth Ombudsman.

While the FWO acknowledges most employers work with the FWO to address concerns about an employee's entitlements, those engaging in deliberate breaches of the law often do not cooperate. The new powers will help address serious cases of non-compliance and exploitation, especially in protecting the most vulnerable community members.

Turning negative customer feedback around

In a perfect world, every customer your business works with will be pleased with how the transaction went and will want to return to you for future business.

In reality, this isn't always the case. It is human nature that people make mistakes and there will always be circumstances outside of your control that can result in a customer not feeling satisfied with your products and services. Consider the following tips for handling negative customer feedback:

Be responsive

When people feel they have received poor or inadequate service, they can be quick to complain. One thing that can be extremely damaging and can make that person feel even more negatively towards your business is to ignore them. Being unresponsive can come across as arrogant and seriously tarnish the reputation of your business. Once a customer has

complained, the best thing you can do is to work to rectify and resolve their issue. Doing nothing and failing to respond casts a negative light on the business, particularly in the social media environment where there is a large audience.

Apologise and offer a solution

One of the worst actions you can take is to respond aggressively and take no responsibility for the way in which you have made the customer feel. The best approach is to acknowledge they are unhappy, apologise and assure them that you will contact them, through calling or emailing, or encourage them to come back into the business so that you can resolve the issue for them in person.

Implement changes

Once you have spoken to the unhappy customer and worked out how you can resolve the issue, it is important that you implement the appropriate changes to resolve the issue. Saying you are going to

take action and then not doing anything will only make the issue bigger. One common mistake that occurs is when one employee says they will follow up and take appropriate action to resolve the issue, but then fails to do so, and then when the customers calls back, they deal with a different employee who has no knowledge of the situation.

Learn from it

To prevent the same issue occurring again in the future, analyse how the negative feedback was dealt with and if it was dealt with efficiently. Evaluate what could be done better or what could be approved upon. Maybe you dealt with and resolved the issue in the end but the procedure in place for following up with and responding to negative feedback could be improved. Every negative aspect of business should be analysed and improved upon; that is how your business model will continue to develop and strengthen.

Claiming the small business income tax offset

Your business may be entitled to the small business income tax offset. The tax offset allows certain businesses to reduce their taxable income by up to \$1,000.

This offset is available from the 2015-16 income year onwards. Small businesses with an aggregated turnover less than \$5 million can access the concession from the 2016-17 income year.

When you lodge your tax return, the ATO

will calculate your offset based on your total net small business income.

Business income derived by another partnership or trust, in which the small business owner is not a partner or beneficiary, is not eligible for the offset.

Small business owners can claim the offset if they carry on a small business as a sole trader or they receive a share

of net small business income from a small business:

- partnership, in which they are a partner
- trust, in which they are a beneficiary.

The offset is 8 per cent for the 2016-17 income year onwards, 5 per cent for the 2015-16 income year. The offset will increase to 10 per cent in 2024-25, 13 per cent in 2025-26 and 16 per cent in 2026-27.

New ban on excessive payment surcharges

As of 1 September 2017, Australian businesses are banned from charging customers excessive surcharges for using EFTPOS, Visa, Mastercard and American Express cards to make payments.

The ban restricts businesses from charging customers surcharges that are higher than 'cost of acceptance.' Cost of acceptance is what it costs the business to process a payment, such as bank fees and terminal cost, but excludes internal costs such as wages and utilities.

This means businesses can only charge customers what it actually costs them to process card payments. For example, if a business' cost of acceptance for Visa credit is 1.5 per cent, customers can only be charged a surcharge of 1.5 per cent on payments made using a Visa credit card.

For businesses that want to set a single surcharge across multiple payment

methods, the level of the lowest cost method must be used, not an average. For example, if a business's cost of acceptance for Visa Debit is 1 per cent, 1.5 per cent for Visa Credit, and American Express is 2.5 per cent, the single surcharge would be 1 per cent as that is the lowest of all payment methods.

The Reserve Bank indicated as a guide that the costs to merchants of accepting payments by debit cards is in the order of 0.5 per cent, by credit card 1-1.5 per cent and for American Express cards around 2-3 per cent.

Businesses are advised to contact their financial institutions if they are unsure about their cost of acceptance.

The ban does not include BPAY, PayPal, Diners Club cards, American Express cards issued directly by American Express, cash and cheques.

The ACCC is responsible for enforcing the ban and will investigate complaints relating to excessive payment surcharges. If the ACCC believes a business has breached the ban, an infringement notice will be issued or court action against the business will be taken.



Why sole company directors and shareholders need a Will

Dying intestate (without a Will) can pose many complications for the ordinary person. But when a sole director and shareholder of a company dies without a Will it can have an even more devastating impact.

Upon the death of a sole director and shareholder of a company without a Will, there is no person properly authorised to immediately run the company, leaving many stakeholders scrambling for answers.

The risks are higher for sole directors and shareholders as there are no surviving directors to manage the company and

appoint a new director.

Generally, a near relative or other person of the deceased will apply for Letters of Administration to manage the estate; however, this process can be lengthy. If no one applies for Letters of Administration, a creditor of the deceased can apply - this can result in the winding up of the company.

Alternatively, the Public Trustee may step in and administer the estate, but this process is also long.

The company may not be able to operate during the period where there is no

director. Most banks and other financial institutions are unwilling to accept instructions for a company's trading account if there is not an authorised person to do so. Furthermore, major stakeholders such as employees and suppliers may not be able to get paid during this time.

To avoid the pitfalls associated with intestacy, it is important that sole directors and shareholders of a company create a valid Will and make provision for who is the beneficiary or beneficiaries of their shares.

Casuals may soon have rights to become permanent staff

In the Fair Work Commission's (FWC) 4 yearly review of modern awards, the FWC has developed a draft model for 85 modern awards to contain a provision which will allow casual employees to request full-time or part-time employment after 12 months of employment.

The model provision includes:

- a qualifying period of 12 calendar months;
- a qualifying criterion that the casual employee has over the qualifying period worked a pattern of hours on an ongoing basis which, without significant adjustment, could continue to be performed in accordance with the full-time or part-time employment provisions of the relevant award;
- the employer must provide all casual employees (whether they become

eligible for conversion or not) with a copy of the casual conversion clause within the first 12 months after their initial engagement; and

- a conversion may be refused on the grounds that it would require a significant adjustment to the casual employee's hours of work to accommodate them in full-time or part-time employment in accordance with the terms of the applicable modern award, or it is known or reasonably foreseeable that the casual employee's position will cease to exist, or the employee's hours of work will significantly change or be reduced within the next 12 months, or on other reasonable grounds based on facts which are known or reasonably foreseeable.

Although this provision is still in draft phase, the Full Bench will make its

final determination later this month. Employers should prepare for these changes by seeking early advice and creating a process for dealing with employee requests.



Strategies for digital growth

In a digital world full of disruptors, change is the new norm. Businesses that fail to keep up with technological advancements and let go of opportunities are essentially kicking themselves in the foot.

Although technological change can be intimidating for small business owners, there is no running from it. An increasing amount of customers are turning online when searching for products and services, so it is essential to get your digital affairs in order or risk getting left behind.

Here are three ways to turbocharge your business' digital growth for success:

Prioritise innovation

Innovation requires time and effort. Put aside time during the working week to meet with staff to discuss ideas and solutions - making a habit of this is particularly important as it prepares and expects staff to think outside the box on a regular occasion. Meeting weekly is especially important as things can change very quickly in the fast-paced digital environment.

Streamline business processes to minimise time wasting activities, for example, automate email systems, switch to cloud data storing, stick to a strict agenda during

meetings and so forth. The time you free up can be used for innovative activities such as idea generation, brainstorming and big picture thinking.

Embrace change

Change needs to be viewed in a light of opportunity rather than resistance. Creating a culture that embraces change rather than one that fears it is the key to business performance and growth. Although changing culture is not a quick process, there are ways to slowly introduce the idea of positive change. For example, providing positive feedback, professional development, celebrating positive changes in the workforce and reframing new processes, ideas, products, services, etc. in a way that will benefit employees.

Tailor your messaging

It would be imprudent to expect all of your customers to fit into the same profile. Segmenting your target audiences according to demographics, behavioural patterns, location-based factors and psychographics (attitudes, values, interests, personality) helps to tailor your campaigns for different target audiences. This helps to reach the right audience with your marketing efforts, ensuring you don't waste your precious marketing dollars.

Important tax dates

21 October

Pay annual PAYG instalment notice (Form N). Lodge only if you vary the instalment amount or use the rate method to calculate the instalment.

Lodge and pay September 2017 monthly activity statement.

28 October

Lodge and pay Q1, 2017-18 activity statement if lodging by paper. Pay Q1, 2017-18 instalment notice (form R, S, or T). Lodge the notice only if you vary the instalment amount.

Make SG contributions for Q1, 2017-18 to funds by this date. Employers who do not pay minimum super contributions for Q1 by this date must pay the super guarantee charge and lodge a *Superannuation guarantee charge statement - quarterly (NAT 9599)* by 28 November 2017.