

# BUSINESS MATTERS

Strategies for managing your business



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## ABN At Risk Of Cancellation?

*You might not have thought about it, but it's a distinct possibility for businesses, especially after a few years of considerable fluctuations.*

As a resident of Australia, you are entitled to an ABN if you're:

- carrying on or starting an enterprise in Australia
- making supplies connected with Australia's indirect tax zone
- a Corporations Act company (a Pty Ltd company)

You may also be entitled to an Australian Business number if you are a non-resident who is:

- Carrying on or starting an enterprise in Australia
- Making supplies connected with Australia's direct tax zone.

In a time where businesses may have been in reduced operations, this may be something of a concern to you.

If you have not reported business activity in your tax return or there are no other signs of business activity in other lodgments or third-party information, your Australian Business Number may be flagged for inactivity.

If an ABN is identified as being inactive, the Australian Taxation Office (ATO) may select it as a candidate for cancellation. In the event that your ABN is cancelled, you will not have a legal business in operation.

Would your customers deal with an illegal business? Most likely no, they would not. Losing customers means losing revenue, and that's not an event that your business wants to happen.

It is your responsibility to maintain your ABN details. If you lapse, the ATO will notify you of the pending cancellation.

The ATO periodically checks ABNs for inactivity to make sure that the information available on the Australian Business Register is correct.

The ABR's information is used in the event of natural disasters by emergency services and government agencies and to identify where financial disaster relief is needed to help businesses.

In the event that there are defunct or inactive ABNs in the ABR, they may incorrectly receive funds that they are not actually eligible to receive.

If your ABN is cancelled and you need it later:

- you can reapply for the same ABN if your business structure is the same
- you'll get a different ABN if your business structure is different (e.g. you were a sole trader but are now a company)

If the ATO cancels your ABN and you disagree with the decision, you can contact them directly to try to resolve the issue.

One of the main causes for ABN cancellation is a failure to lodge business activity in your tax returns. Remember that registered tax agents like us can assist you during that process, and help you avoid losing your ABN.

SYNERGISTIC BUSINESS PARTNERS



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# Electronically Executing Deeds

*As technology is in a rapidly evolving state, often the law lags behind. One of the areas in which this may seem even more evident is in the signing of documents, and especially so in deeds.*

A deed is a much more formal type of document. Most people will execute deeds

when establishing trusts or self-managed superannuation funds.

Traditionally deeds have had to be signed on paper or “parchment”, under common law. But COVID-19 has meant a shift in the way that things are done, particularly towards electronic/digital means of execution. Can a deed be signed electronically?

It comes down to deciding which legal jurisdiction covers the signing of the deed. Sometimes there will be two separate sets of laws that cover how a trust deed is executed.

For example, a company is regulated by commonwealth laws, whereas a deed itself is regulated by state or territory laws. If a company executes a deed in NSW as one party then Commonwealth law will apply, but if another party is an individual then the state law of the state where they settled the deed will apply. This can get complicated and confusing, so advice should always be sought when executing a deed for your company or business.

The rules have changed recently for many states around the ability to execute a deed and other documents electronically. In some instances, a signature can now be witnessed remotely and a separate copy of a deed to evidence that the person signed the deed and someone else witnessed the event.

What Does This Mean For Your Business?

You may be allowed to witness a deed remotely legally, but will that document be accepted by the bank?

How can an original deed be provided if it was executed on a computer? Once a deed is printed, it becomes a copy - so how are you then able to take it to a Justice of the Peace and have them certify that it is a true copy of an original? These are just some of the many questions that face those who require documents to be executed for their business and who choose to do so electronically.

Recently, a bank was unable to claim on a guarantee where an electronic signature of the guarantor was placed on the document by someone who had his password. As a result, banks are more cautious around electronic signatures.

There is still a long way to go before all deeds can be kept on the computer. While the law is proceeding slowly in accepting electronic signatures and copies of documents, other parties need to match the progress.

If a document is to be executed electronically, you need to first make sure that all people who will be relying on that document will accept electronic signatures. Otherwise, pen and paper are still proven to do the trick.

## Managing On Minimal Staff

*There might be a variety of reasons why your business could be coming into the new year with very few staff on board.*

Staff taking leave, terminations and resignations may leave your business looking a bit lean in terms of personnel and the ability to deliver the business's products and services in a timely manner. Hiring staff can take time, and you may not have the luxury of training them in preparation for your usual busy periods.

Having the knowledge of when your business may be at its most overwhelming and overloaded gives an advantage - you know how much manpower may actually be required to deliver your business's products.

Your business should also prioritise time management during staffing issues. There may be tasks that can be completed prior to staff taking leave or tasks that can wait until their return. Plan and communicate with your staff your best course of action.

Your priority lies in assessing whether or not your business can achieve its goals with the least amount of the most valuable resources available during this time. Ensure that the effect that a lack of staff might have on your turnaround time is addressed so that customers aren't left in the lurch.

Some strategies that you can implement to avoid being understaffed during busy periods may include:

- Putting policies into place around leave requests (e.g. requests need to be made 4 weeks in advance, the maximum number of people that can be off at the same time).
- Give senior and junior staff the same opportunity to request leave.
- Keep transparent what the expectations are around working during holiday periods.

# Practising Good Cash Flow Management

*Poor cash flow management is one of the main reasons 50% of small businesses fail during their first five years.*

For small businesses that have faced challenges over the last few years, that might seem like a scary statistic. But cash flow management doesn't have to be complicated.

Setting out clear targets, promptly invoicing clients and putting the latest technology to good use in the business can be simple but effective means of managing cash flow for small businesses. Here are three simple methods that you can employ in your small business to manage cash flow for your business.

### 1. Send Out Invoices Quickly

By promptly sending out invoices to your clients and customers, you are avoiding delaying the payment. There might be roadblocks and delays in receiving payment that can't be controlled on the client's end, but avoid adding to them by waiting to send out your invoice. Make time in your week to create and send out invoices to bring in the cash as soon as possible. You may even want to set aside a day in the week or

fortnight to action invoice deliveries.

### 2. Offer Different Payment Options

Avoid making payment an awkward and time-consuming process for both you and your client by giving them plenty of options on how to pay. Cheques, Eftpos, paying online or even cash can be valid methods of payment - and some are a lot quicker than others. Work out what works for your business and your customers.

### 3. Keep Detailed Records Of The Business's Cash Flow Situation

Unless you keep maintained and accurate records, it's unlikely that the cash flow situation of the business will be clear to see. Keep detailed financial records to refer back to, such as how many invoices are currently being processed and what bills need to be paid.



## Revenue Boosting Tips For Your Business

*Revenue streams are the lifeblood that sustains the business. This means that methods of generating revenue are constantly being discussed, analysed and looked into during every stage of the business.*

However, there are four critical strategies to revenue management and generation that every business should take into consideration and plan around. These include:

- Increasing the number of customers
- Increasing the average transaction size
- Increasing the frequency of transactions



- Raising your prices.

### Increasing The Number Of Customers

Essentially, this tactic means that you are trying to bring or attract more people to your business, in the hopes of increasing the number of transactions that might occur (assuming that the transaction price remains the same).

This might occur through promotions, discounts, special offers, or even cold-marketing to your prospects.

### Increasing Average Transaction Size

This strategy of revenue generation means that you are trying to entice your customers to purchase more (and typically done through a process known as upselling). When a customer purchases a product or service, you can offer them additional products or services that might be seen as a natural progression, or something that they might be interested in. The more of these items that the customer purchases, the more they spend and the more you collect in revenue.

### Increasing The Frequency Of Transactions Per Customer

Basically, this method is about encouraging your prospects to purchase from you more often. If they visit your business to purchase something more frequently, your revenue should increase (assuming that the average transaction size stays the same).

### Raising Your Prices

This might seem like a scary method, particularly if you are worried about retaining your customers. If you raise your prices, your revenue should similarly increase with every purchase made. Assuming your volume, average transaction size, and frequency stays the same, raising your prices should bring in more revenue for the same amount of effort. Raising the prices of your products/services should be carefully considered though prior, as a price spike that's deemed too high could lead to your business losing out on revenue instead.

## Strategies Around Dipping Into The Petty Cash

*Some businesses may still have a small stash of cash and change in the office that's specifically for small and/or insignificant purchases. This may be to avoid having to hand out the company/business card for incidental expenses, such as purchasing coffee, topping up the office's milk or satisfying the stationary needs.*

Known as the petty cash fund, this simple method of expensing is still a relatively common approach employed by businesses. However, it can be fraught with issues for your accountant, as all of the money used from the petty cash needs to be accounted for. If you are not keeping accurate records about the petty cash transactions though, how do you know how much petty cash is actually available?

You don't 'want to be held liable for money missing from the business, so here's how (if

your business uses a petty cash fund) you can keep it accountable:

- **Put into place a set policy for the petty cash** - stipulate who will be able to access the money, if there is to be a process in requesting, how records need to be kept etc. Enforce this policy across the business for those who have the access to petty cash.
- Have a set amount of petty cash available, and replenish when necessary - this should cover the expenditures covered through the petty cash.
- **Set a limit on the amount of money that can be withdrawn from the petty cash** - petty cash isn't designed for major purchases, so it does not need to be an extravagant amount.
- **Specify what the petty cash can be used for** - this way you can keep track

of what exactly is being bought with the petty cash, and identify anyone misusing the system.

- **Always keep track of what is being bought with the petty cash** - keeping track of receipts is perhaps one of the easiest ways to do this, but keep them separate from your other documentation.

A debit card for the business can be employed if you are looking for a way to modernise the petty cash fund. Again, records need to be maintained but electronic/digital transactions are a lot easier to trace.



## SME Recovery Loan Scheme Expanded Under New Rules

*Are you a small or medium-sized enterprise that has been impacted by the ongoing financial effects of COVID-19?*

The SME Recovery Loan Scheme was intended as a way to enhance lenders' abilities to provide cheaper credit to SMEs that are otherwise viable for additional funding to get through the Coronavirus pandemic, recover and invest in the future.

The SME Recovery Loan Scheme is open to small and medium-sized businesses with up to \$250 million turnover, including self-employed and non-profit enterprises.

Under the Amended Scheme Rules (which came into effect 1 January 2021), the SME Recovery Loan Scheme is to be expanded to provide additional support to SMEs adversely affected by the Coronavirus Pandemic, amidst additional conditions.

Essentially, the SME Recovery Loan Scheme made it easier to access loans

as the Government guaranteed 80% of the loan amount (from 1 April 2021-31 December 2021).

Under the current expansion, these loans are available from 1 January 2022 until 30 June 2022, with a government guarantee of 50% of the loan amount.

Participating lenders offer guaranteed loans under the SME Recovery Loan Scheme (2022 Scheme Expansion) with the following terms:

- the Government guarantee will be 50% of the loan amount
- the expanded Scheme will not be available for loans to flood-affected SMEs that are not adversely economically affected by COVID-19
- lenders are allowed to offer borrowers a repayment holiday of up to 24 months
- loans can be used for a broad range

of business purposes, including investment support

- loans may be used to refinance any pre-existing debt of an eligible borrower, including those from the SME Guarantee Scheme
- borrowers can access up to \$5 million in total, in addition to the Phase 1 and Phase 2 loan limits
- loans are for terms of up to 10 years, with an optional repayment holiday period
- loans can be either unsecured or secured (excluding residential property)
- the interest rate on loans will be determined by lenders, but will be capped at around 7.5 per cent, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time

## What Does Purchasing A Car For The Business Really Mean?

*Purchasing a car for the business is not like purchasing a car for your own personal use. There are a number of things that need to be addressed when deciding the usage of a car that you are looking to purchase.*

### Purchasing The Car For The Business

If a vehicle isn't solely required to perform your business activities, it could attract fringe benefits tax.

If you are a tradesman, a car might be a necessary purchase for your business (particularly as a sole trader) as it could be used full-time and won't incur FBT. However, if your car is purchased for business, but is used for a substantial amount of personal use, it will be subject to FBT.

### Taxable Consequences

Initially, the purchase of a car for the business will reduce its taxable income, and any GST can be claimed. However, when you sell the car in the future, the amount will be added to your taxable income as a gain. You may want to consider temporary full-expensing, but sometimes that is not the best tax strategy if you have already reduced

your taxable income substantially.

Before deciding whether or not a car is a purchase necessary for your business, it's best to speak with someone like us so that we can model out the benefits and disadvantages suited to your specific situation.



## Tax Dates

### 21 JANUARY

- Lodge and pay quarter 2, 2021-22 PAYG instalment activity statement for head companies of consolidated groups.
- Lodge and pay December 2021 monthly business activity statement except for business clients with up to \$10 million turnover who report GST monthly and lodge electronically.

### 28 JANUARY

- Make quarter 2, 2021-22 super guarantee contributions to funds by this date.

### 21 FEBRUARY

- Lodge and pay January 2022 monthly business activity statement.

### 28 FEBRUARY

- Lodge tax return for non-taxable large/medium entities as per the latest year lodged (except individuals).
- Lodge tax returns for new registrant (taxable and non-taxable) large/medium entities (except individuals).