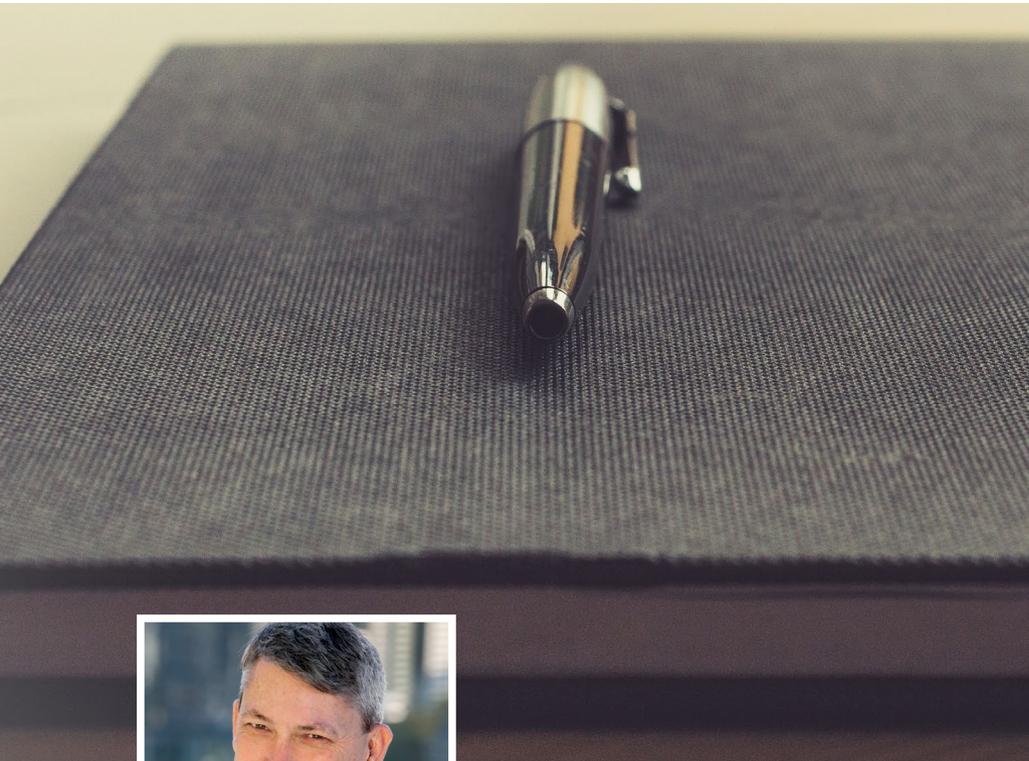




# PINNACLE Newsletter



## INSIDE THIS ISSUE

- How to sell your business
- Making the most of your salary
- COVID-19 and FBT in 2021
- Six steps to business success
- Single Touch Payroll changes for some small businesses
- Avoiding tax-avoidance schemes
- Our Client Feedback survey results
- Framed | Jade Neil



## VIEW FROM THE PEAK

with Damian Knoblanche

For many, 28 March is shaping as D-Day for the Australian economy.

That's when the Federal Government will turn off the JobKeeper payments tap, and business and workers will return to pre-COVID conditions. With that, a lot of people are asking "what happens next"?

Taking the views of economic experts, the prediction is there will be 'modest' job losses and minimal impact on unemployment. Obviously some industries, such as tourism and hospitality, may not rebound as efficiently after JobKeeper ends, but we as consumers can support those businesses and workers.

A key positive is that the national economic recovery is fairing notably better than first anticipated, with GDP predicted to grow by 4.2 percent this year and 3.8 percent in 2022.

## How to sell your business.

*We're often asked the best way to sell a business. There are two key components at play in the sale of a business; 1) structuring the transaction and 2) positioning the business to the market. Both elements are important and can significantly impact your result.*

### STRUCTURING THE TRANSACTION

Structuring the transaction covers things such as pricing the business, the terms and conditions attached to the sale, key terms in the contract, and ensuring the transaction structure is as tax-effective as possible. Much of the structuring is about ensuring the vendors secure the most efficient and effective outcome from the sale. It is about maximising vendor position.

### POSITIONING THE BUSINESS

Positioning the business for sale is all about ensuring that you achieve a sale that maximises your price.

It covers areas such as ensuring there are no hurdles within the business that will limit its saleability, identifying the competitive position of the business within its market segment, ensuring that operating performance is as good as it can be, and that the business benchmarks well in its market.

*continued on page 3...*



# Making the most of your salary.

*Want to make the most of your salary and wages while minimising your tax at the same time? Then a salary packaging or salary sacrifice arrangement may be the way to go.*

While superannuation is one of the first things that pop up when talking about salary sacrifice, there are many other more interesting possibilities. Depending on your industry and what your employer will allow, it is possible to package a range of things including education or study payments, car repayments, general living expenses or even entertainment expenses.

With real wages not tipped to grow for a while, there is still a way that you can make the most of your money by salary packaging or through salary sacrifice arrangements if your employer has systems in place that allow for these types of arrangements.

You may be thinking why it would be advantageous to receive less pay, the answer lies in the pre-tax and post-tax salary amounts. The amount that ends up in the bank every payday is your post-tax salary, that is the amount that you get after the tax is taken out. When you enter into salary sacrifice arrangements you may be able to pay for certain things from your pre-tax salary, which means your money goes further and you end up paying less tax.

**“Essentially, a salary sacrifice arrangement (sometimes also referred to as total remuneration packaging) is a formal agreement between an employer and employee whereby the employee agrees to receive a lower amount of pay each payday in return for the employer providing them with benefits of a similar value to the reduction in pay.”**

### EXAMPLE

Jodie receives a monthly pay of \$1,000 before tax (pre-tax), say she pays 30% tax on the pay, that would mean her post-tax pay (the amount she receives in the bank) is \$700 and \$300 is withheld in tax.

Jodie has to pay for a course of study related to her work costing \$200 each month, if she uses her after-tax pay to pay for the course she would only have \$500 left. However, if her employer allows her to salary package the course of study and pay for it using her pre-tax salary, the scenario would be as follows:

Therefore, as can be seen in this simple example, Jodie would get \$60 more per pay cycle just by taking advantage of a salary sacrifice arrangement.

If you think salary sacrifice may benefit you, note there are some requirements for it to be effective including:

- the arrangement should be entered into before the work is performed (ie. salary and wages, entitlements, bonuses etc that accrued before the arrangement was entered into cannot be a part of an effective salary sacrifice arrangement);
- the arrangement should be in writing between you and your employer (but may be verbal in some instances);
- there should be no access to the sacrificed salary (ie. the sacrificed salary must be permanently forgone for the period of the arrangement).

Once the requirements are satisfied, there are no restrictions on the types of benefits that can be sacrificed, the most important thing is that the benefits form part of your remuneration,

replacing what would otherwise be paid as salary. Probably the most common types of salary sacrifice arrangements would relate to superannuation and costs of study. However, depending on the industry and employer, there may be numerous other types of benefits that could be included.

### PUT MORE MONEY IN YOUR POCKET

If you want to get more out of your wages and would like to find out how to structure and negotiate an effective salary sacrifice arrangement based on your unique situation, we have the expertise to help. Just contact one of our Accounting Advisers.



Salary and wages before tax .....	\$1,000
Salary sacrifice amounts .....	-\$200
Salary and wages after salary sacrifice .....	\$800
Tax at 30% .....	-\$240
Post-tax salary (the amount received in the bank) .....	\$560

# COVID-19: Fringe Benefits Tax 2021.

With the FBT year ending on 31 March 2021, we take a look at how the ATO has changed its approach to Fringe Benefits Tax compliance due to the impact of COVID-19 on work patterns and conditions.

Emergency assistance such as flights and accommodation – emergency assistance to provide immediate relief to employees because the employee is at risk of being adversely affected by COVID-19 will generally not be subject to FBT. This might include:

- expenses incurred relocating an employee, including paying for flights home to Australia.
- expenses incurred for food and temporary accommodation if an employee cannot travel due to restrictions (domestic, interstate or intrastate).
- benefits provided that allow an employee to self-isolate or quarantine.
- transporting or paying for an employee's transport expenses including car hire and transport to temporary accommodation.

**FOR FLY-IN FLY-OUT WORKERS**, this includes temporary accommodation and meals where they were unable to return home because of border or travel restrictions.

**HEALTH CARE** – Providing flu vaccinations to employees is generally exempt from FBT because it is work-related preventative health care. However, health care treatment is only exempt from FBT if it is provided to your employees at your workplace or adjacent to your worksite. The cost of ongoing medical costs are generally not exempt.

**COMPANY CARS** – A company car garaged at an employee's home will generally attract FBT. However, this FBT year, many company carparks and places of business were closed. As a result, the ATO has stated that for employers using the operating cost method, if the "car has not been driven at all during the period it has been garaged at home, or has only been driven briefly for the purpose of maintaining the car, we will accept that you don't hold the car for the purpose of providing fringe benefits to your employee." But, you will need to maintain odometer readings that show the car has not been used.

If the car was used, fringe benefits generally applies. However, if the car was used for business purposes then this use reduces the taxable value. If the car was only used for business, the taxable value may be reduced to zero.

**LOGBOOKS** – COVID-19 is likely to have impacted on driving patterns and the ATO have made some concessions where the 12 week logbook period was interrupted.

If you are already using the logbook method and have an existing logbook in place, you can still rely on this logbook. However, you must keep odometer records for the year to show how much the car has been driven during the year including during any lockdown period.

If this is the first year you have used a logbook, you still need to keep an accurate 12 week logbook. However, if COVID-19 impacted driving patterns during that 12 weeks, then the ATO will allow you to adjust the use indicated in the logbook to account for the change in driving patterns.

**NOT-FOR-PROFIT SALARY PACKAGING** – Not-for-profit employers often provide salary-packaged meal entertainment to employees to take advantage of the exempt or rebatable cap. For the FBT year ending 31 March 2021, the ATO has stated that they will not look into these arrangements where meals are provided by a supplier that was authorised as a meal entertainment provider as at 01 March 2020.

**CANCELLATION FEES** – Non-refundable costs for cancelled events are exempt from FBT unless the employee paid for the event themselves and was reimbursed by you. That is, if the employer paid for the event then the cancellation fee is the employer's obligation as no benefit was provided. If the employee paid for the event, the cancellation fee is the employee's obligation that has been reimbursed. It really depends on who the arrangement was between.

## HOW TO SELL YOUR BUSINESS: POSITIONING THE BUSINESS (continued)

Positioning also includes identifying the best time to take the business to the market, how to take it to the market, and who the most likely buyers will be.

Positioning is about doing everything needed to maximise the probability of a sale occurring, whereas structuring is about getting the best outcome from a transaction once it has occurred. A lot of people make the mistake of spending most of their energy on the structuring of the transaction. It is important but it only becomes important if the sale is achieved.

To do this, you need to get an objective assessment of how the business compares in its market, its competitive position, and what, if any, impediments to sale exist – all the things a buyer will look at and look for when they assess your business.

Most buyers believe that we are currently in a buyer's market and will try to drive price expectations down. Whether or not you are in a buyer's market depends on your industry segment but regardless of this, you are in a competitive market.

Buyers may be comparing your business with similar businesses, but also opportunities in other industry segments. Securing a sale at the best possible price is about having your business positioned for sale. Preparation time is needed to achieve this so talk to us well in advance of putting your business on the market.

**OUR BUSINESS SALE EXPERTISE:** Damian Knoblanche is in his 25<sup>th</sup> year as a director at The Peak. An accredited Business Valuation Specialist through CA ANZ, Damian is expertly-qualified to advise on all aspects of the business sale process.

# Business

## 6 steps to success.

Business success isn't easy. Navigating the SME world can be challenging, but it can be done. As long as you're willing to be flexible, patient, practical and open to all possibilities, you're more likely to achieve business success. Here are six key steps to a successful business.

### 1. CREATE YOUR BUSINESS PLAN

**You can't achieve business success without a plan.** This can help you to decide on the direction of your business by mapping out strategies and setting goals and objectives. It can also help you to retain control in the long run, looking at what's working and what can be improved. A plan is also vital when it comes to showing lenders and investors why they should invest in your business.

Before you start, you need to consider whether you have a good chance at achieving success. What type of business is it? Is it worth putting your time and money into? Is there a market for what you're selling? Most importantly, do you have what it takes to be a business owner?

A business plan takes time, research and preparation. If you're unsure of where to start, you can hire a consultant, who can carefully look over your plan and provide the right advice. There are also government services that can help, providing business owners with resources, as well as access to mentors, workshops and networking events.

### 2. GET BUSINESS COACHING

As an outside observer and expert entrepreneur, a qualified business coach can offer a wealth of knowledge that's unique and tailored to fit your needs.

They can help define the goals you hope to meet, determine which strategies might yield the best results, strengthen your business plan, and identify and prepare you for any issues that could arise. Rather than try to avoid challenges, they help you meet them head on.

A business coach can also help you to develop soft and hard skills. With soft skills, you focus on becoming a better leader, improving on problem solving, communication, flexibility and time management. Hard skills involve becoming more technically proficient.

To find the right business coach, you want someone who knows how to communicate effectively with clients and shows genuine interest in your business. They should be people-oriented, with a strong desire to help you and motivate you to reach your full potential and achieve business success.

### 3. GET ORGANISED TO MAXIMISE YOUR POTENTIAL

Running a business can bring big responsibilities, so it's important to be organised. Review the goals and objectives you want to achieve on a regular basis, ensuring that they're clear, flexible and SMART: specific, measurable, attainable, realistic and time-based.

You can also delegate tasks to ensure business success, especially those that are process-oriented, help to increase cash flow, or anything you want your employees to learn how to do.

Little things like hiring a virtual assistant, taking short breaks, and maintaining a clean office space and a healthy business culture can also help boost productivity and morale.

By finding the right organisational system that works for you, you can stay focused and give high priority tasks the time and effort they deserve, which can help your business to grow in the long-term.

### 4. KEEP CASH FLOW POSITIVE

Maintaining positive cash flow is a key step to running a successful business, where cash coming in is greater than cash going out during the same period.

To achieve this, you'll need to stay on top of your paperwork. Create a schedule to send out invoices using cloud-based accounting software. Avoid late payments by sending reminders a few days before and regularly chase up overdue invoices. Provide customers with a variety of payment options, like PayPal, B-Pay and eWay. If you invoice customers, develop payment terms that fit your business' needs and make sure these terms are clearly communicated to customers. If you sell to other businesses, debtor finance a way to get paid immediately when providing goods or services.

Be sure to monitor your cash flow, and review annually in an effort to reduce business costs. Regularly re-assess your pricing structure and look at new ways to repackage your products or services.

You'll also need to prepare for ups and downs in the market. The best way to do this is to create a cash flow plan, so you're better able to plan ahead and to achieve your business goals even when times are tough. If you experience cash flow shortages or see them coming up ahead, consider a business loan to get you through the lean period and continue on the path to business success.

### 5. THE CUSTOMER EXPERIENCE

Essential to any small business success is developing a strong relationship with your customers.

Be friendly and open, and engage with them regularly via phone, email or social media. Ask open-ended questions to give customers the chance to have their say. You can even ask for feedback to help improve your current range of products or apply it to future projects. Developing internal customer service policies and standards will also help to ensure that communication between employees and customers is always clear and consistent.

You might receive complaints from time to time, so be sure to resolve them promptly and professionally. Customers who have a good experience are more likely to recommend your business to others either through word of mouth or online.

*continued on page 6...*

# Changes to Single Touch Payroll for some SME.

While most businesses are already familiar with the Single Touch Payroll (STP) regime, small employers (19 or fewer employees) with closely held payees were exempt from reporting payroll information of those closely held payees through the STP for the 2019-2020 and 2020-2021 financial years. However, from 01 July 2021, those small employers must start reporting payments made to closely held payees through STP.



Closely held payees are directly related to the entity from which they receive payments, including family members in a family business, directors or shareholders of a company, and beneficiaries of a trust.

If you're an employer with closely held payees only, you just need to start reporting through STP from 01 July 2021 – there is no need to notify the ATO of the fact that you only have closely held payees. Although, if you have both closely held payees and other employees that are at arm's-length, you will need to report information for the arm's-length employees through STP before each pay day.

To help those SME with only closely held payees transition to STP, the ATO has outlined a few options available from 01 July 2021 below:

- report payments on or before the date of payment;
- report payments quarterly; or
- report a reasonable estimate quarterly.

Generally, the STP quarterly report for your payees will include year-to-date amounts, ordinary time earnings (OTE), super liability for each payee, total gross wages for payments being reported, and total PAYG withholding payments being reported.

If you choose to report quarterly, the report will be due on or before the due date for quarterly activity statements, and the quarterly option will not change the due dates for notifying and paying your PAYG withholding on your activity statement or making super guarantee contributions for your closely held payees.

## NOT SURE HOW TO LODGE?

If your business needs to start lodging through STP and you're not sure how to go about it, there are easy and cost effective STP-enabled solutions available. You can also get The Peak Partnership, as your registered agent, to lodge on your behalf. Whatever you choose, remember an STP report cannot be lodged through ATO portals and is not an addition label on your BAS, so early preparation is essential.

## Avoiding tax-avoidance schemes.

Tax planning or tax-avoidance – do you know the difference? Tax planning is a legitimate and legal way of arranging your financial affairs to keep your tax to a minimum, provided you make the arrangements within the intent of the law. Any tax minimisation schemes that are outside the spirit of the law are referred to as tax avoidance, and could attract the ATO's attention.

The ATO has outlined some common features of tax-avoidance schemes, and we can help you to steer clear of them. While it's not always easy to identify these schemes, the old adage of "if it seems too good to be true, it probably is" is a good guide.

Tax-avoidance schemes range from mass-marketed arrangements advertised to the public, to individualised arrangements offered directly to experienced investors. Other schemes exploit the social and environmental conscience of people or their generosity.

As different as these schemes are, the common threads involve promises of reducing taxable income, increasing deductions, increasing rebates or entire avoidance of tax and other obligations.

Schemes may include complex transactions or distort the way funds are used in order to avoid tax or other obligations. They may also incorrectly classify revenue as capital, exploit concessional tax rates, or inappropriately move funds through several entities including trusts to avoid or minimise payable tax.

Currently, the ATO has its eyes on retirement planning schemes, private company profit extraction and certain problematic financial products.

If you've come across something that seems too good to be true, or you're considering an investment or arrangement, we can help you decipher whether it could constitute a tax-avoidance scheme. Don't risk a penalty – contact us today.



# Framed: Jade Neil

Jade Neil, Client Services Officer with Robyn Henshaw's Business Services team, has been part of The Peak family since August 2015.

In that time, Jade has proven her value as a true multi-tasker, taking on roles including Document Filing Clerk, Administration Support Officer and Front-Office Receptionist. In her current role, Jade also provides administrative and client service support to our Self-Managed Superannuation area.

If that's not enough, Jade has also managed to squeeze in two stints of Maternity Leave, following the birth of Jorja in 2018 and Juliet in 2020.

Jade also has a Bachelor of Creative Industries degree from USC, and she is a published author – releasing her first sci-fi novel "Extinguish" in 2018. Outside of work, she loves nothing more than sharing time with husband Jason, their girls, and Jasper and Jodie (the family dogs).



LAST DECEMBER, we conducted our ninth annual Client Feedback Survey, to better understand how clients think we perform across a number of key measures. After reviewing the feedback, we know we're not perfect – but we're working on it. Here's a snapshot of what our clients told us.



## Six steps to business success.

### 6. DEVELOP YOUR MARKETING STRATEGY FOR BUSINESS SUCCESS

Good marketing goes hand in hand with good customer service. In a survey for Deloitte, almost 48% of people had engaged with a company via social media in the past 12 months, while roughly 68% of Australians check out online reviews before buying a product.

In order to build up a loyal following, you need to develop online marketing strategies that are likely to achieve small business success. Create content that's simple and thoughtful yet eye-catching. Plan social media campaigns in advance so you don't have to spend so much time writing posts every few hours. Stay connected, monitor your social media channels and regularly respond to user comments.

You also need to develop a brand personality: Who is your product or service for? Why should potential customers follow you? How are you different from your competitors? Conducting market research can be an effective tool in answering such questions, as well as identify potential new customers, learn more about existing ones, test new markets, better understand competitors and more.

Effective Search Engine Optimisation (SEO) will also help you to achieve success, increasing your business' ranking on Google. Learn what common terms potential customers use and try to localise your SEO on a business directory like Google My Business or Yellow Online.

But don't be tempted to stuff your content with too many keywords, otherwise Google will penalise you for it.

You also need to consider what social media platform best suits your small business. While Facebook might attract many older consumers, sites like Instagram and Snapchat have a much younger user base, so make sure you're tailoring your social media campaigns to the right audience for small business success.

Lastly, our Business Advisers are always available for a chat or a formal planning meeting if you're interested in learning more about successful business strategies.

07 3360 9888

17 Mt Gravatt-Capalaba Road  
Upper Mt Gravatt Qld 4122



Learn more at [www.peakpartnership.com.au](http://www.peakpartnership.com.au)