



**AGS**  
FINANCIAL GROUP

*Partners in advice, growth & security*

**BUSINESS NEWS**

# Welcome

to the Summer 2017 edition of Business News



## **Work smarter not harder in 2017**

With the new year underway and businesses everywhere grappling with change.

## **Essential Budgeting**

Budgeting is one of the most important management tools available to a business.

## **GST misunderstandings**

This article looks at some common traps small businesses can fall into when preparing their BAS returns.

The newsletter exclusively for AGS business clients



# Work smarter not harder in 2017

As the economic environment we operate in changes down a gear, we have seen a lot of businesses take a closer look at what they are doing and why, while others stick their heads down and pedal harder hoping things will go back to the way they were. With the new year underway and businesses everywhere grappling with change, we thought it was timely to give you some ideas on how you can work more on your business, setting yourself up for a stronger year in 2017. It's time to work smarter not harder.

When times are good most business owners are focused on the task in front of them and literally have no time to focus on planning as they need to deal with the customers or clients that have engaged them.

Then, when they get a sense that business is starting to slow down, they get nervous and focus even more closely on the current needs of the business, rather than looking into the future. As humans we are all creatures of habit, so often, pedaling harder in our businesses along the same road is the easiest and most comfortable thing to do when times get tougher. But is it the right thing to do? Or could you get there faster by standing back and selecting a shorter route?

We all know that family business owners are among the hardest working people in the community. They are often the first to arrive and last to leave their workplaces each day. They deal with all facets of their business from operations, marketing, staffing and administration to name a few, with each area's complications adding to the stress of being a business owner.

Not only are family business owners good, hard working people, but they also like to think they are good planners. But in reality, in almost every family and small business, there is simply not enough emphasis on planning for the future, on working smarter not harder, or on finding a shorter route to the goal.

But if you are a business owner, how do you get from working in your business every day, to working on your business? And what might it do for you in the future?

In principle, working on the business is taking time out to determine your personal objectives and the objectives of the business. (Please note this is not always making more money, it may be to reduce risk or have more personal time or less stress or all of the above.) When business owners work on their businesses they could be:

- developing a plan focusing on the objectives set.
- developing an annual budget which is reviewed periodically knowing profit expectations, capital needs and cash flow needs.
- determining the people resources required to achieve their objectives. To share your vision and to create a culture that develops your team into "doers". This includes setting the values and ethics they expect within the business.
- creating and implementing a sales and marketing plan, to assure you and your team, there is adequate revenue flows and revenue sources.
- putting in place a program to make sure you are up to date with your products and services, as well as pricing.
- reviewing processes and procedures to maximise efficiency.
- understanding variable costs and fixed costs to allow the business to manoeuvre when there is a change in the market.
- ensuring they have a good focus on the industry and the customers to understand change and the evolving needs of customers and clients.

Working on the business requires taking time out to develop a well thought out plan, programming the plan then executing that plan. The difficulty is that it is easy to fall into the habit of going back to "working in your business" and getting distracted from the implementation.

Our team often gets called in to be the independent person that assists with the development of the plan, execution of the plan and sorting the program from month to month, keeping the business owner and their leaders executing their plan on a controlled basis.

So why not start working on your business now for 2017. You can start by considering the changing economic environment and work through each of the items below to form plans for your coming year.

## **Planning**

## **Projecting/budgeting**

## **Pricing**

## **Product/ service**

## **Promotion/marketing**

## **Premises and location of the business**

## **People within the organisation**

## **Processes and expectation**

**Or you can give us a call and we'll help you with it.**

**You can be sure that your competitors are making plans to improve their share of the changing market. Isn't it time you did too?**

# Essential Budgeting

Budgeting is one of the most important (and easiest) management tools available to manage a business yet it is surprising how often it is under-utilised. It not only enables better financial management of your business, but also fosters better planning for the future, improves 'ownership' and motivation for staff, and provides a solid basis to monitor and review performance throughout the year. It is the management multi-purpose tool, and needs to be used accordingly.

## 1. Financial Tool

The budget provides an opportunity to bring together many aspects of your business (staffing, productivity, purchasing, sales, overhead expenses, profitability, cash flow etc) into one document and express it in financial terms. There are two which are usually foundational – the profit budget and the cash flow budget.

The usual approaches with the profit budget are to adopt either a top down approach using sales targets as the main driver, or a bottom's up approach with your net profit as the key driver. I tend to favour the latter because it focuses your management attention on what is at the end of the year - profit. In other words you should target what net profit you would like, and then complete the rest of the budget with this as the critical driver.

The cash flow budget complements the profit budget by incorporating the impact of changes on the balance sheet, most notably working capital (debtors, creditors, stock), fixed assets and loans on the bank balance.

When these two budgets are broken down into departments and weekly/monthly time periods they become a very powerful management tool and basis for regular performance reporting and decision-making.

## 2. Planning Tool

Budgeting requires you to give careful consideration now to your longer term objectives. By incorporating them in the budget you have a practical means to focus on what really is important. It is the lynch-pin between setting your objectives and achieving them.

A common approach to budgeting is to take last years figures and add a few %. A preferred approach is to start with your objectives as the key drivers, and this may require significant adjustments and changes from the previous year's performance.

Make the decisions now rather than wait – the budget helps to focus the attention on what really matters.

## 3. Integrating Tool

The budgets can be a very helpful communication tool with staff on their roles and contribution to the business. By being involved in its preparation and monitoring they will take 'ownership' and embrace it rather than seeing it a draconian tool (imposed from above) to control expenses or ensure revenue is met.

## 4. Monitoring Tool

If the budget is broken down into relevant operational figures it can be very helpful for all staff (but particularly management) to monitor on a regular basis. So, for example, if the revenue for the year is broken down into monthly, weekly or daily targets, or the cash balance monthly, or into departments, you have a ready basis upon which to have reports to monitor how you are actually going against the budget. This enables you to make adjustments throughout the year rather than waiting until the end of the year to see the actual results.

The end of the year should hold no unpleasant surprises in terms of your business performance.





# GST misunderstandings

**Australian businesses with an annual turnover of more than \$75,000 must be registered for GST. Charging an extra 10 per cent on top of services sounds simple, yet a number of traps routinely catch small business owners.**

Businesses falling beneath the \$75,000 threshold are not required to register for GST. Those businesses that choose not to register cannot:

- state “Tax Invoice” on invoices; they must only use the word “Invoice”,
- collect an extra 10% from customers,
- claim credits for the GST paid on items purchased.

## Calculating GST correctly

Businesses registered for GST must regularly lodge a Business Activity Statement (BAS) and this is where many run into trouble. One of the most frequent mistakes made when manually preparing a BAS is to calculate 10% of the total sales amount as GST.

The correct method is to divide the total sales figure by 11. The examples below show total sales of \$5,500 including GST of \$500.

A.  $\$5,500 \times 10\% = \$550$

B.  $\$5,500 / 11 = \$500$

Method B is the correct option. If your business has been using Method A, you haven't been calculating your payment correctly and are likely paying too much GST.

For example, if you purchase a printer for your small business for \$1,100 (including \$100 GST) but for 20% of the time the printer is used by your children to print school work, only 80% (or \$80) of the GST can be claimed.

On another point, credits cannot be claimed where a contractor or supplier is not registered for GST because GST should not have been included in the amount you paid.

## Double Dipping

If you are registered for GST you should ensure that any tax deductions you claim for business expenses do not include the GST component as you should have claimed these amounts as GST credits separately.

## How personal use affects GST

Equally common are mistakes that involve claiming credits. The Australian Taxation Office (ATO) takes a dim view of credits being claimed for assets that are partly used for private purposes. Credits can only be claimed for the portion of the assets or services that relate to business.

**GST has applied since July 2000 but continues to be the source of confusion for many small business operators. For full clarification of any GST related issues please contact AGS today.**

## Key Lodgement Dates

Date	Obligation
21 February	<p>Lodge and pay December 2016 monthly business activity statement for small business clients (up to \$10 million turnover) who report GST monthly and lodge electronically.</p> <p>Lodge and pay January 2017 monthly activity statement.</p>
28 February	<p>Lodge tax return for non-taxable large/medium entities as per the latest year lodged (all entities other than individuals).</p> <p>Payment (if required) for companies and super funds is also due on this date.</p> <p>Payment for trusts in this category is due as per their notice of assessment.</p> <p>Lodge and pay <i>Self-managed superannuation fund annual return</i> (NAT 71226) for new registrant (taxable and non-taxable) SMSF.</p> <p>Lodge and pay quarterly activity statement for quarter 2, 2016–17 for all lodgment methods.</p> <p>Pay quarterly instalment notice (form R, S or T) for quarter 2, 2016–17.</p> <p>Lodgment is only required if you vary the instalment amount.</p> <p>Annual GST return or information report – lodge (and pay if applicable) if the taxpayer does not have a tax return lodgment obligation.</p> <p>If the taxpayer does have a tax return obligation, this return or report must be lodged by the due date of the tax return.</p> <p>Lodge the <i>Superannuation guarantee charge (SGC) statement – quarterly</i> and pay the super guarantee charge for quarter 2, 2016–17 if the employer did not pay enough contributions on time.</p>
21 March	<p>Lodge and pay February 2017 monthly activity statement.</p>
31 March	<p>Lodge tax return for companies and super funds with total income in excess of \$2 million in the latest year lodged (excluding large/medium taxpayers), unless due earlier.</p> <p>Payment for companies and super funds in this category is also due by this date.</p> <p>Lodge tax return for individuals and trusts whose latest return resulted in a tax liability of \$20,000 or more, excluding large/medium trusts.</p> <p>Payment for individuals and trusts in this category is due as advised on their notice of assessment.</p>
21 April	<p>Lodge and pay March 2017 monthly activity statement.</p>
28 April	<p>Lodge and pay quarterly activity statement for quarter 3, 2016–17 – paper lodgements.</p> <p>Pay quarterly instalment notice (form R, S or T) for quarter 3, 2016–17.</p> <p>You only need to lodge if you are varying the instalment amount.</p> <p>Employers must make super guarantee contributions for quarter 3, 2016–17 to the funds by this date.</p> <p>Employers who do not pay minimum super contributions for quarter 3 by this date must pay the super guarantee charge and lodge a <i>Superannuation guarantee charge statement – quarterly</i> (NAT 9599) with us by 28 May 2017.</p> <p><b>Note:</b> The super guarantee charge is not tax deductible.</p>
30 April	<p>Lodge <i>TFN report</i> for closely held trusts for TFNs quoted to trustees by beneficiaries in quarter 3, 2016–17.</p> <p>Lodge lost members report for the period 1 July 2016 to 31 December 2016.</p>

### Crows Nest

12-14 Falcon Street  
Crows Nest NSW 2065  
Tel: 02 9966 8188  
Fax: 02 9966 8199  
Outside Sydney: 1300 665 182

### Caringbah

Level 1, 34 Banksia Road  
Caringbah NSW 2229  
Tel: 02 9525 0766  
Fax: 02 9525 9349

### Baulkham Hills

Level 1, 4 Columbia Court  
Baulkham Hills NSW 2153  
Tel: 02 9899 7566  
Fax: 02 9899 7522

### Melbourne

Level 1,  
103 / 153-161 Park Street  
South Melbourne VIC 3205  
Tel: 03 8548 6454

### Brisbane

Suite 2, 28 Donkin Street  
West End QLD 4101  
Tel: 07 3085 6627

### Adelaide

Level 3, 97 Pirie Street  
Adelaide SA 5000  
Tel: 08 7099 1224

E: [info@agsfinancialgroup.com.au](mailto:info@agsfinancialgroup.com.au)

W: [www.agsfinancialgroup.com.au](http://www.agsfinancialgroup.com.au)



**AGS**  
FINANCIAL GROUP

*Partners in advice, growth & security*

#### Disclaimer

AGS Financial Group Pty Ltd, ABN 70 093 990 946, trading as AGS Financial Group, are authorised representatives of AMP Financial Planning Pty Limited ABN 89 051 208 327 (Australian Financial Services Licence No. 232706).

Any advice in this newsletter is general in nature and does not take into account your personal objectives, financial situation or needs.

Accordingly, you should consider the product disclosure statement for any product and your own objectives, financial situation and needs before acting on this information and before acquiring a financial product.

You can obtain a copy by contacting us on 02 9966 8188.

AGS Financial Group Pty Ltd is an Authorised Representative of AMP Financial Planning Pty Ltd ABN 89 051 208 327, AFS License 232706.

Accounting, taxation, and business advisory services are provided by AGS Accounting ABN 12 166 728 696.

## AGS Financial Group

- Corporate Superannuation
- Financial Planning
- Accounting Services
- Mortgage Advice
- Retirement Planning
- Wealth Management
- Self Managed Superannuation
- Wealth Protection
- Estate Planning
- Business Consulting