

# BUSINESS & PROFIT MATTERS

*Strategies for managing your business*



## IN THIS ISSUE:

- *The Tax-Free Windfall From Selling Your Business*
- *Have You Hired An Employee Or A Contractor?*
- *Skills & Training Boosts Emerging From Recent Budget Announcements*
- *Commercial Debt Forgiveness Update From The ATO*
- *And Much, Much More...*

## The Tax-Free Windfall From Selling Your Business

*Many small business owners may find themselves constantly reinvesting in their business. Superannuation tends to take a back seat as a result. There is no sense in taking the necessary cash flow out of your business to fund your retirement if it, as a result, means that your business fails.*

For these businesses, often the windfall comes when they eventually sell the business. For years, you may have struggled with the finances and then payday hits. But what are the tax consequences of selling your business?

For many years, the Small Business CGT concessions have existed in tax law. These concessions mean that many small business owners may pay no tax at all when they sell their business. This might sound too good to be true - but in this instance, it isn't! Small business owners will often not be liable for the tax consequences of selling their business as a result of these concessions.

If you are in a position where you

would like the money to be put into a superannuation fund (as this can provide a tax-free income in retirement), the concessions can also be used in this instance. They allow you to put a substantial sum of money into superannuation, without impacting your usual contribution caps.

Eligibility for these concessions requires a number of tests to be met. Primarily, a business with turnover of less than two million dollars per annum is needed, but if your turnover is more than that you will need to have net assets of less than six million dollars (some assets are excluded from this test such as your family home and your superfund).

These concessions are not only available from selling your business but also from other assets such as your business premises.

For many of us, we look forward to the payday that we receive from selling our business. It is even better when that payday is tax-free. That is why it is important that we regularly review your situation to ensure that you can take advantage of the Small Business CGT Concessions when it is required.



## LEENANE TEMPLETON



484 Hunter Street  
PO Box 1805  
Newcastle, NSW 2300

TEL (02) 4926 2300  
FAX (02) 4926 2533

EMAIL  
success@LT.com.au  
WEBSITE  
www.LT.com.au

DIRECTORS  
Andrew Frith  
ASSOCIATE DIRECTOR  
Joel Griffiths

Taxation and Compliance  
Management Accounts  
Cash Flow and Profit  
Benchmarking and KPI's  
Financial Planning  
Self Managed Super Funds

# Skills & Training Boosts Emerge From Recent Budget Announcements

*Been thinking about hiring an apprentice for your business? Looking to upskill your employees? Thinking about the ways that you could improve your business's capabilities?*

The recent Federal Budget 2022-23 announcements committed support to mitigating the long-standing impacts of the pandemic on businesses and their workforces. If skill shortages, a lack of workers or even availability of funds have been impacting your business, the following may be of interest to you.

## UPSKILLING WORKERS

Small businesses will also have access to a new 20 per cent bonus deduction for eligible external training courses for upskilling employees. The Skills and Training Boost will apply to expenditure incurred from 31 March 2022 until 30 June 2024, providing \$550 million in tax relief.

One thing to ensure is that the training provider of the training for your employees will actually be covered by the Boost.



## APPRENTICES

Under the newly extended and renamed Australian Apprenticeships Incentives Scheme, apprentices will also receive financial incentives for finding employment in a 'priority' trade.

Every six months apprentices will receive a payment of \$1,250 for two years, up to a total of \$5,000 to assist with the costs of undertaking an apprenticeship.

This renewal to the scheme aims to stem the dropout rate of apprentices in priority trades by providing an incentive to see out their training. Though the initial scheme has drawn new apprentices into the system, cancellations and withdrawals remain high.

The Government is also looking to add an additional 2,500 in-training support places for eligible young apprentices over the next five years.



## EMPLOYERS

Employers will receive a wage subsidy of up to \$15,000 for each apprentice taken on in a 'priority' trade, under a revamped scheme from the government. Under the previously mentioned Australian Apprenticeships Incentives Scheme, from July 1 2022, employers will receive a 10 per cent wage subsidy for first and second-year apprentices and 5 per cent for third years.



# 5 Questions To Ask Yourself Before Buying A Business

*While some people enjoy the thrill of the start-up business or creating their own from scratch, others may decide that buying a business is the right avenue for them.*

Choosing the right business to buy however is one of the most important decisions you might make in your life. Is it in the industry you need it to be in? What is the history/reputation of the business? What do the existing agreements say?

One of the main reasons why most people buy a small business rather than starting one from scratch is for the already established infrastructure and ongoing cash flow.

In order to determine whether buying a business is right for you, ask yourself the following five questions.

## ARE YOU READY FOR THIS BUSINESS? \_\_\_\_\_ 01

Are you in the right mindset to take on the challenges of the business? Running a business is a lot of hard work and requires strict discipline. Before taking on a business,

- Do you have the right skill set to start a business?
- How much time will you need to invest in a business for the business to be successful?
- Are you physically and emotionally ready to deal with unusual work hours and time pressure?
- What are your personal goals and will starting a business help you achieve them?
- Do you have the capital to invest in a business for it to be successful?

## IS THIS THE RIGHT BUSINESS FOR YOU? \_\_\_\_\_ 02

This can be a time-consuming and challenging process, but well worth the reward in the end. Consider your own interests and background experience when narrowing down the industry and market that you want to buy into.

You may also want to think about:

- Does this business have the potential to be successful?
- What value can I bring to the business (ie. experience, marketable skills)
- Is it in a good location?
- Do you want a business that is already up and running, and has an established customer base?

## HAVE YOU RESEARCHED THE BUSINESS? \_\_\_\_\_ 03

You may not be able to get a refund on a business if it's not what you were looking for, so make sure that you know **exactly what you are getting into**. Conduct plenty of research to understand the existing reputation of the business and the potential for its growth.

Market research can assist in understanding your target demographic and the market that the business operates in. Information from existing customers, employees and neighbouring business owners can also get you a view on how the business is positioned and performing.

## WHAT IS THE BUSINESS'S VALUE? \_\_\_\_\_ 04

Determining the current value of the business you are interested in and its potential growth can assist you in projecting your business's future. You may also want to consider a professional valuation of the business's assets and liabilities. This will help you determine if the business is worth the investment.

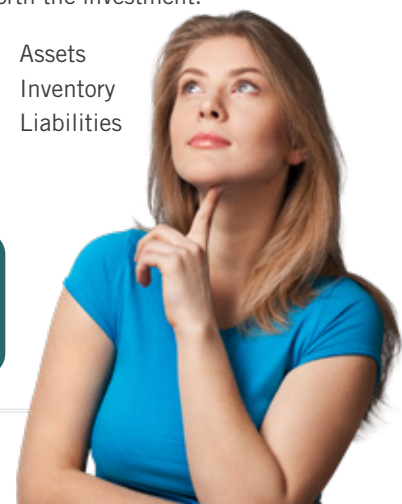
## HAVE YOU DONE YOUR DILIGENCE? \_\_\_\_\_ 05

Determining the current value of the business you are interested in and its potential growth can assist you in projecting your business's future. You may also want to consider a professional valuation of the business's assets and liabilities. This will help you determine if the business is worth the investment.

- Licenses and permits
- Contracts and leases
- Supplier agreements
- Status of plant, equipment and fixtures
- Assets
- Inventory
- Liabilities



To guide you through the process of purchasing a business, a trusted business adviser can be consulted. They are equipped with the knowledge you need to effectively strategise with you for its future.



## Have You Hired An Employee Or A Contractor?

*A failure to correctly identify whether your business has hired an employee or a contractor could net serious penalties. However, the Australian Taxation Office has made it easier to determine the correct classification of people working for a business, particularly in terms of their tax and super obligations.*

Hiring an independent contractor may seem like a simpler method than hiring a full-time or part-time employee for a business. This is because there is a general assumption that, if hiring an independent contractor, they will not be responsible for PAYG withholding, superannuation guarantee payments, payroll tax and workers compensation obligations. This is not always the case.

Each set of rules operates slightly differently, and it may be necessary to address this distinction on a case by case scenario. For those who may be struggling to work out if they have correctly classified their contractors as employees, it will be important to review their agreements to ensure that the “rights and obligations of the parties under that contract” are consistent with an independent contracting arrangement.

Merely labelling a worker as an independent contractor is not enough if the rights and obligations under the agreement are not consistent with the label.

A genuine independent contractor who is providing personal services will typically be:

- Autonomous rather than subservient in their decision-making;
- Financially self-reliant rather than economically dependent upon the business of another; and,

- Chasing profit (that is a return on risk) rather than simply a payment for the time, skill and effort provided.



As a business, you should ensure that there is a process in place to ensure the correct classification of employment arrangements for hired contractors, and review those arrangements periodically

Even when a worker is a genuine independent contractor this doesn't necessarily mean that the business won't have at least some employment-like obligations to meet. For example, some contractors may be deemed to be employees for superannuation guarantee and payroll tax purposes. It is imperative that compliance obligations are satisfied, lest the business suffer consequences.

The ATO has provided some updated guidance for taxpayers who engage contractors to help in determining whether they have met their tax obligations. This includes a checklist relating to tax and super obligations that can arise when hiring a contractor. If you are thinking of hiring a contractor or reviewing employment agreements involving them, this may be a checklist to adhere to.



There are generally six factors that you can use to determine if you have hired an employee or a contractor.



#### ABILITY TO DELEGATE/SUBCONTRACT

Employee

Contractor

The worker cannot pay someone else to do the work.

The worker is able to pay someone else to do the work.



#### BASIS OF PAYMENT

Employee

Contractor

The worker is paid for either the time worked, a price per item or activity or a commission.

The worker is paid for a result achieved based on the quote provided (based on hourly rates or price per item to work out total cost).



#### EQUIPMENT, TOOLS & OTHER ASSETS

Employee

Contractor

Equipment, tools or other assets needed to complete the work are provided by the business, or an allowance/reimbursement is provided for the cost.

Equipment, tools and other assets are provided by the individual to complete the work, and no allowance/reimbursement is made for the cost of this equipment.



#### COMMERCIAL RISKS

Employee

Contractor

The business is legally responsible for the work performed by the worker and liable for the cost of rectifying any defect in the work.

The worker is legally responsible for their work and liable for the cost of rectifying any defect in their work.



#### CONTROL OVER THE WORK

Employee

Contractor

The business has the right to direct the way in which the worker does their work.

The worker has freedom in the way the work is done (subject to the terms in any contract/agreement held with the business).



#### INDEPENDENCE

Employee

Contractor

The worker is not operating independently of your business (they work within and are considered a part of the business)

The worker is operating their own business independently of your business, performing services as specified in their contract/agreement. They are free to accept or refuse additional work.

# The AMR – What Is It, And Could It Apply To You?

*The best opportunities for work aren't always close to home. When your skills are higher in demand elsewhere, travelling further afield to pursue these opportunities can be a viable option.*

For a lot of skilled workers who already had existing licences and registrations, working interstate added additional financial strain with the need for additional state/territory-recognised registrations/licenses to be obtained prior to commencing work.

From 1 July 2022, the Automatic Mutual Recognition of Occupational Registration Scheme (AMR) will allow more licensed and registered workers to work interstate without delays, additional fees and lengthy paperwork.

The AMR allows for a mutual recognition agreement that individuals are entitled to be registered in a second state or territory on the basis of their existing registration without further assessment of their qualifications, skills, experience or character. This removes the need for people to apply and pay for an additional registration or licence (saving time and money, and giving you work-ready employees without the hassle).

Eligible businesses in certain industries may be able to take advantage of this to address skill shortages in their states. This will include occupations requiring a licence in the building and construction, mining, real estate and property, security, manufacturing and automotive sectors.

The scheme is a part of the Government's Deregulation Agenda to support Australia's economic recovery and is expected to boost the economy by \$2.4 billion over 10 years.

Through these reforms, more than 168,000 people are expected to take up job opportunities interstate each year.

AMR is currently available in:

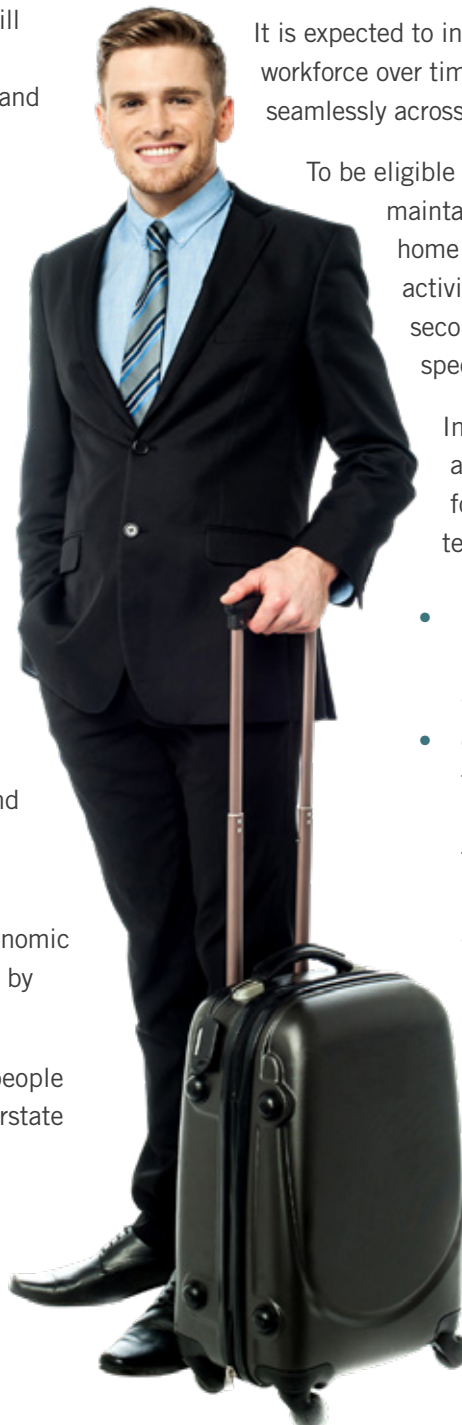
- New South Wales
- Victoria
- South Australia
- Tasmania
- ACT
- Northern Territory
- Western Australia (from 1 July 2022)

It is expected to increase the mobility of Australia's workforce over time, and help businesses operate more seamlessly across Australia.

To be eligible for AMR, individuals must hold and maintain registration or license in their home state or territory that covers the activity that they intend to carry out in a second state or territory (e.g perform a specialised trade).

Individuals may also need to meet additional requirements to be eligible for AMR (as determined by state and territory regulators). This may include:

- notification to the second state regulator of intent to carry out the activity,
- evidence of meeting and maintaining financial public protection requirements (such as, insurance, fidelity funds, trust accounts, minimum financial requirements), and
- evidence of satisfying and maintaining a working with vulnerable people character test.




# Key Strategies To Navigate The Awkward Start Of New Employment

*Work can be a stressful environment, and even more so when you're the new blood in the area.*

If you have a staff member commencing a new job opportunity, they may be facing a lot of uncertainty and anxiety about how they will be perceived and what they will be expected to do. This may take time to overcome, but it can be made manageable. It's helpful to know why this transition can seem so difficult so that you can help them to settle in and mitigate the awkwardness.

The most prominent issue is that new staff often aren't sure of what to expect. This is because the situations that they are now facing are new and difficult to predict. This can lead to a 'freeze' in the mind, where inaction is perceived as the best course of action (rather than potentially having something go wrong or get into trouble).

To help pave the way for a new colleague, you can:



Help them understand the ebbs and flows of the workday - what they can expect in their schedule, what's the best way to structure their day, what they might need to do on certain days.

Introduce them to others in the office to ease them out of the awkwardness of communicating

Reach out to them at least once a day to make sure that they know that someone's looking out for them.

Another barrier that the new colleague may have to feel comfortable in the workplace is the use of office jargon. There may be phrasing, terms and even expressions that are specific to your workplace which is completely alien to others. New staff members may feel overwhelmed with the terminology, so providing them with a cheat sheet of commonly used acronyms and phrases in the company could alleviate some of that worry. You can also integrate their understanding of the jargon by using the term and then defining it so that they can get a clearer understanding.

A final issue that often arises for new staff is the lack of connection between themselves and their existing

colleagues. There is a pre-existing social structure in the workplace that they now need to try to fit into, but you can help them initialise their integration. Assist them with meeting other staff members and include them in workplace conversations. It's particularly valuable to make these introductions if there is remote working involved, as it is easier for a new person to be left out entirely. Providing this access to connectivity can also help to improve retention.

These are just a few effective ways in which you can ensure that new hires aren't left to flounder in your workplace when they start. Have conversations with them periodically to see how you can help them adjust and gauge where they are at when it comes to their work.

# 'Stay Interviews' – Are They Key To Retaining Employees?

*Conducting exit interviews for those who are leaving gives a better understanding of the negative aspects of the business and devise a solution to those problems. Unfortunately, these often come at the end of the employee's time in the business and may be too late to address that specific staff member's situation.*

Amidst the current 'Great Resignation' it may be beneficial to your business to understand what is keeping your current employees with you. Understanding what keeps your people attached to their current place of work can enable you to act proactively and adopt more intentional practices that uplift these qualities more.

Conducting 'stay interviews' can provide valuable insights from your team members into what's working in the business for them. The key to using these effectively is by asking questions that would address what would normally be learned from exit interviews, to help address retention issues preemptively.

## WHAT'S YOUR FRAME OF MIND TODAY?

Your staff should feel comfortable expressing how they are feeling about their working situation with you. No matter what they share with you, don't attempt to solve the problem outright or negate their experience. Rather, **normalise their experience** by relating with your own acknowledgements of struggle.

## ARE YOU FEELING CONNECTED AT WORK?

There is a researched link between being friendly with fellow coworkers and employee engagement. **Explore what you can do to help them deepen those connections so that they don't feel disconnected socially.** Plus, work relationships can help to extend your employee's stay with your business, as they may be reluctant to leave their friends.

## WHAT ARE THE BARRIERS WE CAN REMOVE FOR YOU?

While offering praise and rewards may make you feel that you are acknowledging your employees, failing to acknowledge the challenges and barriers that they can face in achieving their work goals. Brainstorm with your employees about what action can be taken to reduce the impact of these barriers, and communicate the actions that can be taken. Most importantly, **follow through on this action.**

## WHAT DO YOU WANT TO LEARN TO HELP YOU GROW?

This doesn't need to be about how they can grow to benefit the company. Rather, ask them what they would like to do for themselves, so that you can help them to foster their development or achieve their dreams and aspirations.

You should be asking your employees these questions on a somewhat regular basis for maximum effectiveness. These can be asked during your usual one-on-one staff meetings, or you can organise regular stay interviews with your team.

## Tax Dates

### 21 APRIL

- March monthly activity statements – final date for lodgment and payment.
- Quarter 3 (January–March) PAYG instalment activity statement for head companies of consolidated groups – final date for lodgment and payment.

### 28 APRIL

- Quarter 3 (January–March) activity statements – final date for lodgment and payment.
- Quarter 3 (January–March) instalment notices (forms R and T) – final date for payment and, if varying the instalment amount, lodgment.
- Quarter 3 (January–March) instalment notices (forms S and T) – final date for payment and, if varying the instalment amount, lodgment.
- Due date for super guarantee contributions, for quarter 3, (January–March) – contributions to be made to the fund by this date.

### 30 APRIL

- Quarter 3 (January–March) TFN report for closely held trusts for TFNs quoted to a trustee by beneficiaries – final date for lodgment.

### 21 MAY

- Lodgment due date for your FBT return. For 2022, if you prepare your own return you can lodge by 25 June without incurring late lodgement penalties.
- Final date to pay when you prepare your own FBT return.
- If your tax agent is preparing your FBT return, different dates may apply.