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BUSINESS MATTERS

Strategies for managing your business



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Tax agent
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Valuing innovation in business

Innovation is integral to the development and growth of a business.

Innovation doesn't have to be fully transformative, it can be improving a small process or introducing new technology in the workplace. It helps businesses stay updated, continually improving efficiency and productivity. Innovative businesses that seek to improve all aspects of their operations will be able to thrive against their competitors.

There are different types of innovation:

- **Product or service:** Enhancing or developing new or existing products or services, or introducing new technologies that were not previously used.
- **Process:** Improving the way various types of processes take place in the business. This could include financial systems, information and communications technology (ICT) or human resource management.
- **Marketing:** The way products and services are promoted and the mediums of promotion.
- **Business model:** Implementing strategies to improve relationship with suppliers, distributors and customers and restructuring business to improve functionality.

Rather should be actively encouraged, some ways to do this include:

- **Seeking customer feedback:** This lets you know where change is needed so you can begin to focus on those areas if you are unsure of where to begin.
- **Motivate your staff to provide suggestions:** Your employees will also have ideas based on their day-to-day experiences in the workplace, so listening to them will make them feel appreciated and improve productivity.
- **Building innovation into your processes:** Your usual business process could have in-built mechanisms which encourage innovation i.e. every month everyone suggests new technology which might make working easier.
- **Rewarding innovative thinking:** When there are good suggestions or demonstrations of innovative thinking, reward them through acknowledgment in front of other staff.

Regular innovation enables you to adapt to change easily and stay on top of your competitors. Businesses should consider setting the time aside to encourage innovative thinking as it is extremely beneficial.

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Building a team for success

Unfortunately, hiring the perfect people does not mean that they will create the perfect team.

A strong team needs to be built over time by cultivating an environment which recognises and appreciates the role of each member.

The first step in building a team is making sure that each member knows the vision of the business. Everyone should understand the goal of the business, the target audience, and be aware of future plans. This will help establish a company culture and remind team members that they are an important part of the company.

Secondly, each team member should know what their role in the team is. This is beneficial for the team's efficiency and productivity as specifying

roles will prevent misleading expectations from fellow team members. Remember to regularly update what you expect of each member so that every individual is aware of their duties.

Team building exercises can assist in developing relationships and communication between members. These don't have to be extravagant or costly. There are many activities available online to promote team building, make sure you find one that is suitable to your work environment! The goal should be to make individuals feel at ease with one another.

Each team member will contribute something positive, but similarly, some members might have characteristics which make teamwork difficult. It is essential that you take both strengths and weaknesses into account.

Acknowledge and appreciate strengths, and address and discuss weaknesses.



Eligibility for small business entity concessions

The government has concessions for small businesses which include payment and reporting options.

Sole traders, partnerships, companies or trusts who meet the 'small business entity' criteria will qualify for these concessions but must review eligibility every year.

The two main criteria of eligibility are that the business operates for all or part of the income year, and that there is a turnover of less than \$10 million. A business with a turnover of over \$5 million will not qualify for the small business income tax offset and a business with a turnover of over \$2 million will not qualify for the capital gains tax concessions.

Concessions available:

- Income tax concessions
- CGT concessions
- GST and excise concessions
- PAYG instalment concessions
- FBT concessions
- Super concessions

Implementing sustainable business practices

Sustainability is increasingly becoming a global priority, but while businesses may want to adopt more sustainable practices, it can be difficult to know where to begin.

The fact is that becoming a sustainable business does not mean drastic changes need to be made. Focusing on small and simple changes that can be implemented into the workplace will also help reduce a business' carbon footprint.

Businesses will often opt for the slightly more convenient option even though the carbon footprint might be much larger. This is especially the case when it comes to single-use products.

- Example 1: Use of non-recyclable and single-use coffee pods is a lot less sustainable than one tin of coffee which can produce over a hundred serves.
- Example 2: Use hand dryers in the washroom and hand towels in the kitchen instead of paper towels.
- Example 3: Transitioning to paperless communications between employees and with customers.

Although single-use products are just that little bit more convenient, the impact that they have is highly damaging.

Encouraging travel to the office via public transportation is also an excellent way to promote sustainability. You might choose to start a competition between employees about who can reach the highest number of steps.

This is a lot easier if your office is located close to public transport - take note of this if you are ever in the position to change office locations or if you are starting a new branch.

The positive contribution that recycling has on the environment can be underestimated. But if recycling practices are utilised throughout the office, this can substantially reduce a business' carbon footprint.

- Common recyclables: Paper, cardboard, cans, bottles and other commonly known recyclable items should be dealt with appropriately. Install recycling bins around the office.
- Recycle lighting: You will need to get in contact with a company that offers recycling services for lighting as it cannot be disposed of in the same way as common recyclables.
- Recycle electronics: Old computers, printers, keyboards and other electronics that still work can be recycled by donating them to schools or charities in your local area. Otherwise, you can also recycle them by dropping them off to companies which reuse the material in them.

You may consider partnering up with your clients and fellow businesses to promote sustainability so that not only is it easier for you to do the right thing, but you are also helping other businesses do the right thing.

Calculating income tax deductions

The calculation of income tax for businesses becomes more complex as business activities and income streams grow.

There are two primary considerations that arise when calculating income tax: assessable income and deductions.

Assessable income

This includes all aspects of income from all your business activities and any other business income:

- Cash income
- Cryptocurrencies
- Commissions, investment earnings, gratuities and compensation payments
- Income not part of everyday business activities

- Income from online activities
- Income from the sharing economy
- Income from crowdfunding
- Personal services income
- Foreign income

It is essential that when completing the tax returns for a business, all of the above types of income are included. Each type of income has its own specific considerations which need to be met, some more complex than others.

Deductions

More often than not, business expenses will be tax deductible. However, they need to be directly concerned with business operations as opposed to personal use and must have records to verify them.

Deductions can be applied to the following expenses:

- Motor vehicle expenses
- Home-based business
- Business travel expenses
- Workers' salaries, wages and super contributions
- Repairs, maintenance and replacement expenses
- Other operating expenses
- Depreciating assets and other capital expenses
- Carbon sink forest expenses

For each of these deductions to apply, appropriate records which follow the ATO's guidelines should be kept.

Digital record-keeping

Businesses should aim to move towards digitising their tax, super and employee related documents as per recommendation by the ATO.

Digital record-keeping has many advantages:

- Streamline accounting practices by utilising appropriate software so that you can focus on the business as opposed to ensuring the accuracy of manual/paper records.
- Keep track of income, expenses, assets and liabilities easily.
- Creating summaries and reports for GST, income tax, fringe benefits tax (FBT) and taxable payments reporting system (TPRS), as per requirements is easier with digital record-keeping.

- Lodging tax and super obligations, including business activity statements (BAS), tax return, and taxable payments annual report (TPAR) becomes more straightforward as all the information is more quickly available.
- Information requested by the ATO is readily available if you need to provide it.
- Instantly meet legal Single Touch Payroll (STP) record-keeping obligations.

How to digitally store paper records

The ATO accepts images of a business' paper records. The digital copies should be true and clear reproductions of the paper records. They must meet the five record-keeping requirements:

- Keep ALL records

- Do not change the relevant information in the records
- Keep most records for five years (or more if specified)
- Show records if requested by ATO
- Must be in English or easily translated into English

Once images of the paper records have been saved onto a digital storage system, you do not need to keep the paper records. However, if the records were digitised by manually entering information from digital or paper records onto accounting software, then copies of original records need to be kept (scans or originals).

Digital record-keeping is convenient for the business, the ATO and is better for the environment than paper record-keeping.



We are here to help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.

Partnering up with fellow businesses

Partnering up with more established businesses can be highly beneficial for a small business. Taking the following factors into consideration will assist you in creating an effective partnership.

What do you want out of the partnership?

Determining exactly what you want from a partnership will help you determine who the right partner is. Businesses have their own strengths and weaknesses so understanding where you need the most support and choosing a partner that will provide it is important.

What do you bring to the table?

A good partnership is about give and take. If your chosen partner is going to assist you in an integral aspect of your business, then you need to reciprocate. Examine the strengths of your business and how these will benefit a potential partner. Remember that different

strengths will appeal to different partners, so your approach should be catered to the business you are extending a hand to.

Do you have a personal contact at the company?

Although it is not necessary to have a personal contact, this does make it easier than cold-pitching. Take a look at your professional network and check for mutual contacts who might be of assistance. Build a relationship with the individual and stay alert for signs which indicate how teamwork would be - having similar values is integral.

Do your goals align?

Both businesses having similar goals and objectives will result in a much more successful partnership. Ensure that you are clear on these goals and discuss them with a potential partner before establishing any sort of contractual relationship.

It may take time to find a partner that compli-

ments your business. It can be frustrating if you can't find the right business or if you feel like you have found them and collaboration fails. It is important to be patient and remember that waiting for the right company will be worthwhile.



Elements of a Business Plan

A business plan establishes the goals and objectives of a business and outlines how they will be achieved. It is vital, especially for small businesses, to review progress and update processes to achieve targets.

Business plans should include:

- Executive summary: Identify what your business mission statement is, outline your company operations, your management style, and even your company culture.
- Products and services: Review products and services your business offers and determine whether pricing and manufacturing needs to be altered. Don't forget about obtaining new licenses or renewing old ones!

- Market analysis: Recognise who your target market is, who your competitors are and what your strengths and weaknesses as a business are in response to the market. Conducting an analysis will guide your marketing and advertising.
- Marketing strategy: Establish how you will be presenting your product to the customer and how you intend not just the products but also the brand to be seen by customers. This will help create an outline for advertising and media campaigns for different channels.
- Financial planning: Having a financial plan that sets out the financial statements of the business thus far, future predictions and potential new financial targets and how they can be met.
- Budget: Plan a budget that includes all business expenses. It may be beneficial to also create estimates of the revenue to understand whether the budgeting needs to be reassessed. However, ensure that expenses identified in the budget are practical, and not simply complying with revenue.

A business plan will give you an overarching understanding of the business and provide you with a reference point down the line. Spend time on constructing a thorough business plan which incorporates the elements which have been discussed and any other ones that are specific to your business.



About us

KRS

Achieving better results for your business

At KRS Accountants, we can:

- positively help you identify opportunities to improve your profits
- work with you to achieve your business goals
- give you more time to run your business

We use our business advisory experience and expertise to monitor your business and give you proactive advice on how you can improve your bottom line and business value.

Our services include virtual CFO, tax agent, financial accounts, salary packaging, budgeting & cashflow analysis, management reports, business health checks and corporate compliance.