

THE COMPLETE GUIDE TO SMALL BUSINESS

Part 3 of 6: Running a business



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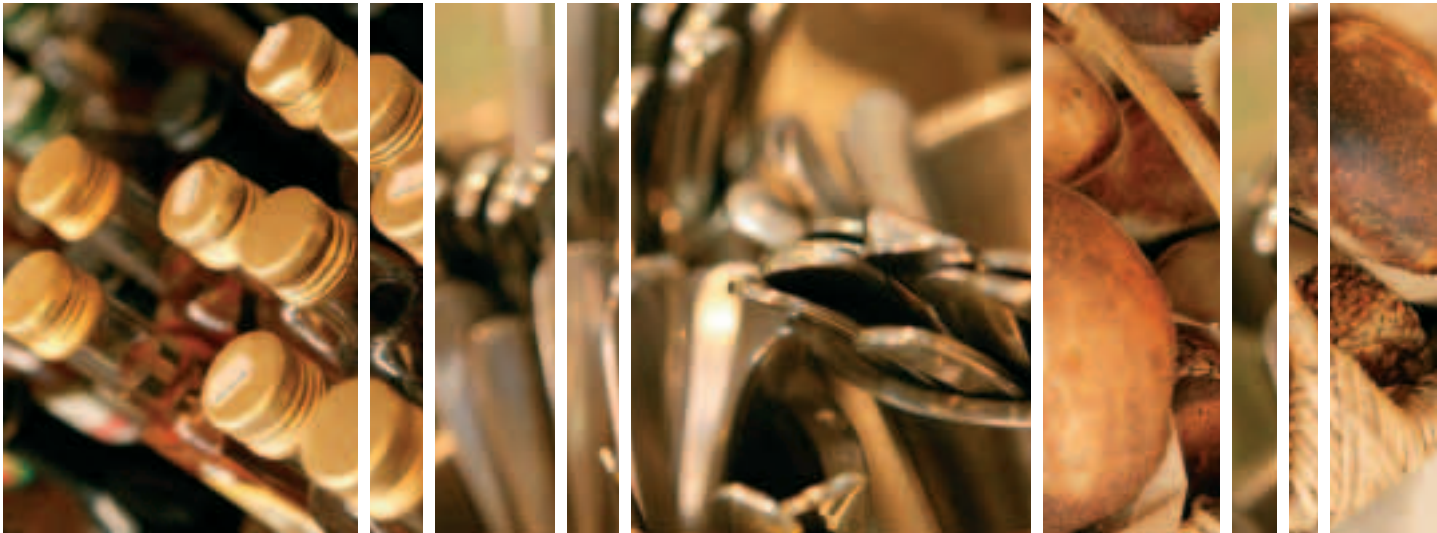
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Running a business



Keeping financial records

To run a successful business, you need to keep accurate and timely financial records. Keeping records of your business activities is not only good business sense, it is also a legal requirement. See “Taxation” on page 43 for more details on the tax records you will need to keep. A good financial record keeping system will allow you to:

- Comply with legal requirements – you will be able to put together accurate tax returns, and ensure you are paying your staff the right amount.
- Monitor the success or failure of your business – you will be able to see how your business is performing.
- Make better decisions – you’ll be basing business decisions on accurate financial data.
- Budget more accurately – meaningful budgets based on solid financial information make it easier for you to budget immediate and future cash needs and expenditures.
- Obtain finance and capital – potential lenders and investors will need to see some financial records and financial projections before they lend to, or invest in, your business.

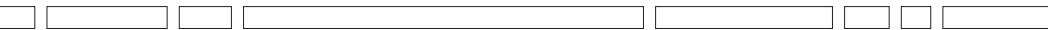
Money coming in to your business

Accurate recording of your sales and revenue each day, week, month and year shows the money coming in to your business. Depending on the type of business you operate, this will include keeping track of cash received and credit transactions.

If your business issues customer invoices they should show (at least) the sale date, the name or type of product or service sold, the rate or price and the date the payment is due. Your invoices will also need to show your Australian Business Number (ABN) if you need to register one. Keeping copies or records of customer invoices makes it easier to keep track of payments made and outstanding amounts that need to be followed up. Businesses that are incorporated, i.e. companies, need to show the Australian Company Number (ACN) on all formal documents.

Business systems must be able to provide a tax invoice for sales of those goods and services that attract Goods and Services Tax (GST). Tax invoices must be provided within 28 days of being requested by a customer, unless the value of a sale (excluding GST) is under \$50.

There are many ways of keeping track of your sales and revenue transactions and the money owed by your customers, ranging from writing in a sales and cash receipt journal and accounts receivable ledger to using an accounting computer software program.



Money going out of your business

It is equally important to accurately record the money going out of your business, including petty cash, purchases made by your business, other business running expenses and staff salaries.

It is a good idea to set up a petty cash fund so you've got money on hand to pay small expenses. You will also need to keep track of the bills from your suppliers and other creditors you have to pay, and those that have been paid. When you pay an invoice you should record the date paid and the cheque number.

Systems should be developed to ensure that a tax invoice comes with every purchase that includes GST. The tax invoice must be checked to ensure that it has been completed correctly by the supplier so that the associated GST credits can be claimed.

There are many ways of keeping track of the payments made by your business and the money you owe suppliers and other creditors. These range from writing the details in a petty cash book, a wages and salary analysis book and accounts payable ledger, to using an accounting computer software program.

Note: It's also a legal requirement to keep accurate records of your staff salary calculations and payments, and to provide pay slips to your staff.

Cash flow management

Good cash flow management is a critical part of all businesses, and the way it's managed can mean the difference between profitability and insolvency.

With a good understanding of your cash flow, you will know how much excess cash you have to save or invest, which can make all the difference in planning how to make your money work harder for you.

Making payments

By implementing strategies and solutions before cash flow problems present themselves, you can remain firmly in control even during the lean times. There are several ways to achieve effective control of cash flow.

Some effective ideas for reducing the likelihood of an unmanageable influx of bills are:

- conduct a rolling cash flow forecast for the next 12 months;
- control cash outflows by paying on due date, not before;
- accelerate receiving payments;
- ensure you have an accounting system which will alert you to due payment dates;
- try negotiating better credit terms with suppliers;
- plan the purchase/leasing of business items;
- don't be late with payments – maintaining a good business relationship with your suppliers is vital.

Other strategies include:

- Establishing lines of credit. To prepare for times when client payments simply don't match the bills you have to pay, it's important to put some short-term financing arrangements in place. You may like to consider a business card or a business overdraft as your line of credit.
- Ensuring easy day-to-day transactions. To ensure payments are a minimum of hassle, your everyday business account must provide you with the appropriate features for your business. The Commonwealth Bank can offer you a range of Business Transaction Accounts.
- Making international payments easy. When buying goods or services from overseas, it is important to put in place fast, secure and effective payment solutions.

Receiving payments

To cater for all kinds of payments received – those that are early, on time, late, or even non-existent – it's important to have a defined accounts receivable system in place.

Setting up the appropriate systems and procedures to encourage easy and timely payment is critical to your cash flow management. Some sound strategies to assist in this are:

- Make it easy. Immediate payment methods for your clients include cash, cheque, BPAY, direct debit, EFTPOS, LockBox and credit card. Having the right payment solutions in place can mean it is not only simpler for your clients to make payments, it can be a lot easier for you to process them.



- Set the rules early on. Setting and gaining agreement on strict credit periods or trading terms at the outset reduces the chance of ambiguity or confusion at a later date.
- Carry out credit checks. Where sales are on credit, or carrying a future payment date, client credit checks should be standard procedure. Rather than carry out selective checks, it is efficient to develop a mandatory Application for Credit form. Remember to request information such as bank details and customer references.
- Create effective international payment solutions. When receiving international payments for goods or services sold overseas, it is important to put in place fast, secure and effective international payment solutions.
- Invoice efficiently. If you are completing a large and/or lengthy job for a client, progressive payments can benefit both parties. It is also important to invoice quickly after a job is done.
- Manage debt collection efficiently. Even if they have received a clear credit check, some clients may still be late in their payments. It's important to chase payments as they fall due, be courteous but insistent, and be professional – you may get on well with a late paying customer, but it doesn't pay to be lenient.

Receivables financing

If you simply don't have the time to wait for your invoices to be paid, you may like to learn more about Commonwealth Bank's Receivables Financing, a facility which can provide you with funding in advance for your approved credit sales.

Managing risk

Like good cash flow management, good risk management is essential.

Risk factors include the movement of interest rates, and the value of the Australian dollar. While the last thing you want to be doing is speculating on interest rates, commodity prices and currency movements, it is hard to avoid exposure to these fluctuations.

Whatever your exposure, there's no way to eliminate the risk, but you can certainly manage it.

The Commonwealth Bank has solutions to assist you in the following:

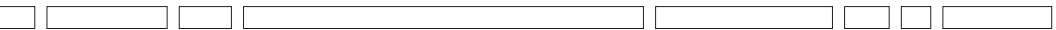
- Interest Rate Risk Management. Because interest rates change in line with market conditions, adverse movements in rates can impact on your borrowing costs. Flexi Bill Solutions for Borrowers are designed to help manage this risk with a range of alternatives around flexibility, certainty and opportunity.
- Currency Risk Management. If you want to safeguard your bottom line from the negative impact of exchange rate fluctuations you might consider a currency risk management solution. Currency risk management is designed to deliver maximum return to your business at a minimum cost, using foreign exchange solutions. And because exchange rate volatility can provide opportunities for gains, implementing a risk management strategy can give you the best of both worlds, allowing you to strike a balance between risk and return.
- Commodity Risk Management. Because commodity prices fluctuate, it can be difficult to plan and budget with accuracy. Commodity Risk Management products can provide certainty around fluctuating prices, so it's easier to predict and manage your profit margins. For the opportunity to benefit from favourable movements in commodity prices, a range of hedging options is also available.

Investing money

Whether you are investing for your personal or business needs, the first step is to decide upon your goals. What do you want to achieve in the short, medium and long term?

Once you have defined your objectives, you and your adviser can develop a financial strategy based on your tolerance for risk and your investment time frame. In developing this strategy, you should take a range of preferences and financial factors into account.

Investing for businesses follows many of the same principles as personal investment and should also only be considered after discussing your specific situation with a financial adviser.



After this in-depth assessment, you may like to take a look at the benefits of the following business investment solutions:

- **Cash flow management.** Cash flow is often an issue for business owners, who may use short-term investment solutions to meet their cash management needs.
- **Fixed-term investing.** A term deposit is a competitive, low risk investment that can be ideal for maximising any surplus cash you may have in your business. If you don't need immediate access to your money, term deposits can be an excellent choice for those seeking a fixed rate of return with a range of term alternatives.
- **Risk management solutions.** If you have a higher amount available to invest (\$100,000 or more), Flexi Bill Solutions for Investors can provide a wide range of benefits and assist you to manage your interest rate risk.

Tip

- The Commonwealth Bank can offer you a wide range of solutions in all of these areas, tailored to meet the specific needs of your business. For more information, call the Commonwealth Bank Business Line, on **13 1998** between 8am and 6pm, Monday to Friday.
- If your business uses a cash register, make sure you keep a record of the expenses you pay straight out of it. Remember – any internal control system has its limits, so it can never be completely relied on. Periodic checks by your accountant may be necessary.

Business bank account

All businesses should have a bank account, and it's best to avoid putting personal transactions through your business bank account as they can complicate your business record keeping.

When you receive your bank account statement (at least monthly) you can use it to check the deposits you have made into your account, and the payments you have made from your account. You should also note any payments that have been made directly to your account, and any periodical payments like interest payments and bank charges.

Remember that your bank statement may never exactly match your recorded transactions because of delays in clearing cheques and deposits, unrecorded automatic payments and transfers and errors in your records.

Maintaining your financial record keeping system

As your business grows, accurately recording your financial transactions becomes a greater challenge. Internal checks allow you to make sure your financial records are complete and correct.

To put in place an internal checking system, separate the steps so that each acts as a check on another. Where possible, different staff should carry out different functions, such as:

- authorising transactions;
- recording transactions;
- keeping assets that result from a transaction;
- comparing and confirming amounts and accounts.

Preparing financial statements

Financial reports include a statement of financial performance (or profit and loss statement), a statement of financial position (or balance sheet) and a statement of cash flows (or cash flow statement).

The statement of financial performance represents the performance of a business over time. It shows the profitability of the business. In order to prepare a statement of financial performance you need to record:

- revenue items;
- cost of goods sold;
- general expenses.

This allows you to determine the gross and net profit for a given accounting period. The net profit or loss is then included with owner's equity in the statement of financial position.



An example presentation of a statement of financial performance is as follows:

Statement of Financial Performance for the 12 months ended 30 June 2005*		
	2005	2004
	\$	\$
Turnover	161,107	152,913
Cost of sales		
Opening stock	-2,472	-3,023
Purchases	-26,730	-35,105
Closing stock	-1,730	-2,472
	-27,472	-35,656
Materials used		
Wages	-73,898	-66,609
Payroll tax	-1,340	-1,183
Gas, electricity, fuel, oil	-6,862	-5,668
Repairs and maintenance	-5,136	-6,215
Depreciation – plant and equipment	-2,982	-2,419
Depreciation – motor vehicles	-238	-304
	-90,456	-82,398
Gross profit	43,179	34,859
General expenses		
Directors' fees	-2,000	0
Salaries	-18,304	-17,528
Holiday and long service provision	-3,613	-539
Printing, telephone, insurance	-2,786	-2,817
Bank charges and interest	-615	-922
Accountancy fees	-982	-618
Travel expenses	-4,429	-3,799
Advertising	-775	-618
Security expenses	-1,277	-1,394
Rates and taxes	-126	-162
Repairs and maintenance	-2,007	-2,203
Depreciation – office equipment, fixtures and fittings	-64	-62
	-36,978	-30,662
Profit before tax	6,201	4,197
Tax	-2,943	-1,303
Profit after tax	3,258	2,984
Dividends	-2,895	0
Net profit for the year	363	2,894
Add unappropriated profit brought forward	2,894	0
Closing unappropriated profit carried forward	3,257	2,894

* This table is for illustrative purposes only.

The statement of financial position provides a snapshot of the business at a particular point in time. The three main components of the statement of financial position are assets, liabilities and owner's equity. Assets and liabilities are further grouped as current and non-current. Current assets are generally those that are held for a period of no more than 12 months (such as cash and stocks), while current liabilities are those that you pay within 12 months (such as creditors).

When a business has a clearly identifiable operating cycle, such as a period of six or 12 months, the separate presentation of “current” from “non-current” gives useful information on the short-term solvency of the business. Showing assets and liabilities in this way separates working capital from long-term assets and long-term liabilities.

An example presentation for a statement of financial position is as follows:

Statement of Financial Position as at 30 June 2005*				
	2005	2005	2004	2004
	\$	\$	\$	\$
Authorised share capital		100,000		100,000
Issued share capital		2		2
Unappropriated profit		3,257		2,894
Net assets		3,259		2,896
Current assets				
Inventory		1,730		2,472
Receivables		40,775		36,187
Cash		43		42
		42,548		38,701
Current Liabilities				
Bank overdraft		-8,975		-15,699
Trade creditors		-12,102		-9,015
Accrued charges		-5,814		-3,164
Provision for long service leave and holiday pay		-6,973		-3,918
Provision for taxation		-2,944		-1,303
		-36,808		-33,099
Net current assets		5,740		5,602
Fixed assets				
Land and buildings at cost		62,367		62,367
Plant and machinery				
Cost	23,057		19,547	
Depreciation	-5,087	17,970	-2,105	17,442
Office equipment, fixtures and fittings				
Cost	631		631	
Depreciation	-126	505	-62	569
Motor vehicles				
Cost	1,362		1,362	
Depreciation	-543	819	-305	1,057
Formation expenses		319		320
		81,980		81,755
Non-current liabilities				
Shareholder loans		-84,461		-84,461
Non-current assets		-2,481		-2,706
Net assets		3,259		2,896

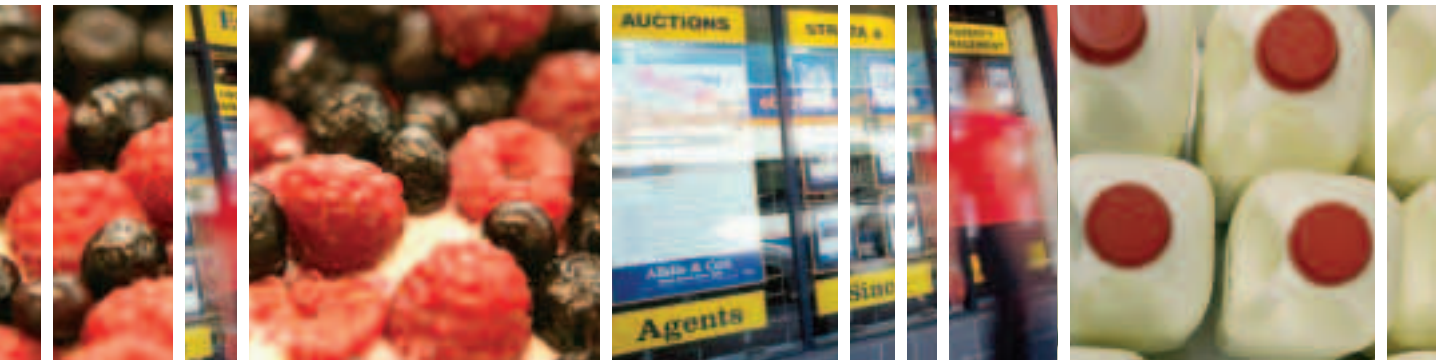
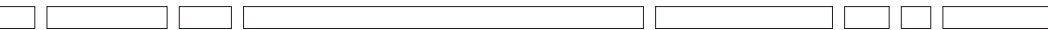
* This table is for illustrative purposes only.

Many businesses prepare a statement of cash flows. This contains information that when read with the financial reports can help readers assess the ability of a business to generate cash flows, meet its financial commitments as they fall due, fund changes in the scope and/or nature of its activities and obtain external finance.

An example presentation of a statement of cash flows is as follows:

Statement of Cash Flows for the 12 months ended 30 June 2005*	
	2004
	\$
Cash flow from operating activities	
Receipts from customers	156,519
Payments made to suppliers	-142,088
Dividends received, borrowing costs, income taxes paid	-1,302
Net cash provided by operating activities	13,129
Cash flow from investing activities	
Payments for fixed assets	-3,509
Proceeds from sale of fixed assets	
Net cash used in investing activities	-3,509
Cash flow from financing activities	
Proceeds from borrowings, repayment of borrowings, distributions paid	-2,895
Net cash used in financing activities	-2,895
Net increase (decrease) in cash held	6,725
Cash held at the start of the year	-15,657
Cash held at the end of the year	-8,932

* This table is for illustrative purposes only.



Who can help you?

- The Australian Securities and Investments Commission (ASIC) publishes helpful advice about matters related to starting a business, and what records should be kept. Visit ASIC's web site at www.asic.gov.au email its helpline at infoline@asic.gov.au or call ASIC on 1300 300 630. Alternatively, visit ASIC Business Centres nationwide.
- The Federal Government's Business Entry Point web site, www.business.gov.au or its hotline for small business, 13 28 46.
- Your accountant.
- CPA.
- Employer association.
- Trade association.
- Business incubators.

Managing business finances

If you do not have enough money to pay your suppliers, creditors and employees then you will be out of business very quickly. Sometimes, in the short term, the cash flowing into your business may not match the bills you have to pay. Make sure you accelerate the cash inflows, delay your cash outflows (where possible) and have appropriate short-term financing arrangements in place.

Tips

- Produce an "aged debtors report", showing the number of debts that have been outstanding for 60 days or more, and chase the payments! Most software programs will now produce aged debtor reports automatically.
- Consider taking advantage of creditor discounts, e.g. "5% off if you pay within 10 days" when you pay your creditors, and also offer such discounts to your own customers to improve your cash flow.



Maximising money in to your business

Ideally, your customers should all pay immediately. Immediate payment methods include cash, cheque, BPAY, direct debit (or EFTPOS), LockBox and credit card payments.

You may also need to offer credit to some customers, and you can improve and speed up the settlement by:

- obtaining agreement upfront with your customers on your payment terms;
- setting strict credit periods or trading terms, i.e. the time between the invoice being sent out and the payment becoming due;
- using a set credit policy when granting credit to customers with appropriate limitations, for example, carry out a credit check before you offer credit and limit the maximum amount of credit you grant to an individual customer;
- encouraging your customers to pay you electronically;
- depositing incoming cheques in your bank account as soon as possible;
- appointing someone responsible for credit and outstanding debts.

You should make sure that you know who owes you money, and the date they are due to pay. You can chase payment by issuing an urgent reminder account, telephoning the customer, or handing the debt over to a debt collection agency, which, for a fee, will chase payment for you. Remember that actively applying your credit policy with discretion may not always make you the most popular caller, but it is critical for protecting your investment in your business. See “Receiving payments” on page 24.



Manage money going out of your business

You can keep a tight hold of your cash flow by making sure your bills are paid on the due date, not before. You can also try negotiating better credit terms with major suppliers, for example, payment within 30 days instead of 14, and delaying the purchase of expensive items until you have enough money to cover the purchase. See “Making payments” on page 24.

Stock control

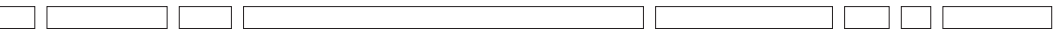
Many businesses have a lot of money tied up in stock, the components that make up stock, or ongoing projects.

Stock control is a balancing act – too little and you may not be able to fulfil orders, too much and you may be tying up too much of your capital. It’s a good idea to aim for a quick turnaround so the goods can be sold soon after production is completed.

If you have a service-based business the delay between the completion of the work and payment from customers can tie up your money, so you’ll need to invoice the customer quickly and actively chase late payments.

Who can help you?

- The ASIC web site lists publications that you might find helpful. Visit its web site, www.asic.gov.au or visit one of the ASIC Business Centres nationwide.
- Your accountant or financial adviser.



Hiring and managing staff

Good staff can be the most valuable asset of your business. Finding the right staff, and managing them well once you've hired them, can be a key to the success of your business.

Do you need staff?

Depending on the size, scope and activities of your business you will probably need some staff in order to operate. You may consider hiring staff if your business expands, if you find you don't have the right skills to run all aspects of your business, if there is seasonal increase in activity, or if the trading hours of the business are long.

When considering hiring staff, it's a good idea to look at the job that needs to be done, and put together a job description. This is an outline of the specific tasks in a particular job, the results to be produced, and the responsibilities of the person in the role. Then outline the skills, qualifications, experience and attitude that a person will need to be able to perform the job satisfactorily. Remember the specified requirements should be relevant to the job, and must be non-discriminatory.

Note: Discrimination in the workplace, whether direct or indirect, is against the law in Australia. Make sure your business' policies for staff selection, promotion and training are based on the individual's ability to do the job, and are not based on their age, sex, race, religion or disability.

Once you have outlined the job description, look at whether your business can afford the expense of more staff. Remember that staff costs don't just include wages or salaries. You will also need to factor in other costs such as superannuation contributions, workers compensation premiums and costs involved in holiday cover. You should also consider whether the increase in your business' income resulting from the contribution of a new employee is likely to exceed the cost of employment, or if the extra person will free your time so you can take on more clients, or focus on more productive activities that will grow the business.

Don't just think about hiring permanent full-time employees. Consider employing part-time staff, temporary or casual staff, or outsourcing the whole job. Outsourcing has been used successfully by many businesses in areas like payroll management, accounting and even production. Compare the costs of doing it yourself versus outsourcing, but do remember that even if you outsource you will still need to manage the relationship with the external supplier to make it successful, and you will still need to be aware of the expenses involved and what impact they will have on your business.

If you choose not to outsource a whole job, you can use a contractor to carry out a particular task. Using a contractor has advantages such as only paying according to work done, rather than hours worked, and it takes the contractual arrangement outside some employment regulations (for example, you don't have to pay for leave or superannuation).

Find the right people

Advertising is the most common way to find new employees, and it can range from putting a sign in your shop window to taking out an advertisement in a newspaper. Don't forget the power of "word of mouth" – existing staff, friends or business associates may know of people who are looking for work or new opportunities and have the right requirements for the job.

You may decide to use a recruitment agency to carry out all or some of the recruitment process. If you plan on using an agency, check what fees will be charged for the various services the agency offers, and be sure to give the agency all the details about the type of job you are advertising, the kind of employee(s) you are looking for, the fees you will pay the recruitment agency and the dates by which you expect results.

Tip

Try and find out what your competitors are paying their staff to give you an idea of what to offer.



Interviewing hints

The purpose of the job interview is for you to assess whether the person being interviewed has qualities matching the requirements of the job.

- Ask questions based on the job requirements: questions should all be job-related, and should not be about an applicant's personal life.
- Your questions should seek to find out how successfully an applicant would carry out the job, for example, how he or she would deal with irate customers or clients.
- Ask every applicant the same core questions in each interview.
- Don't jump to early conclusions.
- Conduct the interview in a place that is free of distractions.
- Give the interviewee a chance to answer.
- Ask open questions to get the interviewee talking.
- Supplement the interview with a performance test, if appropriate.
- Get at least three references.

Making someone an offer

When setting pay, be aware that the law sets minimum conditions that cover things like wages, hours of work (generally 38 hours per week), annual leave and leave loading, long service leave, sick leave, public holidays, parental leave and superannuation. Your offer of employment will need to comply with the relevant Award if the employee is covered by it.

The offer of employment is best made in writing, setting out clearly the basis of employment, the job to be done and the conditions of employment.

These conditions of employment are regulated by industrial awards, enterprise agreements and legislation. Some conditions will depend on whether a person is employed on a permanent, part-time, temporary or casual basis. Further information can be obtained from your employer association or State Department of Industrial Relations (for example, in Victoria, www.iird.vic.gov.au and in New South Wales, www.industrialrelations.nsw.gov.au).

Tip

Safety training must be carried out and reviewed. Get your staff involved. Talk and walk safety with them.

Legal compliance and record keeping issues

Government regulations require the keeping of accurate staff records. These records include information on taxation, workers compensation and superannuation. These records include details of the person and their job, records of all wages and taxes, and dates of employment, sick leave and annual leave.

Your staff records should be kept for current employees and for those who leave your employ. It is advisable to obtain further information from your accountant or financial adviser to be sure you are keeping the right records.

The following checklist outlines some of the things you need to do before employing someone.

Checklist – employment

- Has the employee provided you with their Tax File Number for tax purposes?
- Has the employee filled in an Employment Declaration form that will be lodged with the Australian Taxation Office (ATO)?
- Are you set up to keep detailed payroll records?
- Have you registered your business as a Group Employer with the ATO?
- Have you set up a system to pay superannuation?
- Do you have workers compensation insurance?
- Have you complied with the relevant Award (if appropriate)?
- Has the employee been instructed in the expectations of the role, safety precautions and emergency procedures?



Keep people safe

In general, employers' duties to keep people safe are set out in the Occupational Health and Safety (OHS) Acts in all Australian States and Territories. Duties include the provision of a workplace and work systems that are safe and without risk to health; arranging for the safe use, handling, storage and transport of plant and substances at work; and the provision of OHS information, training and supervision for employees.

Whether you are starting a new business or taking over an existing one, as an employer you have a legal responsibility called a "duty of care" to protect the health and safety of people in your workplace. This includes people who work for you casually, part-time, full-time, permanently, as volunteers or outworkers, and also includes members of the public while they are on or in your workplace, site or premises.

In New South Wales, for example, under the *Occupational Health and Safety Act 2000* and the *Occupational Health and Safety Regulation 2001*, anyone who can affect health and safety in the workplace has a legal responsibility to protect it. This includes manufacturers, suppliers, designers and controllers of workplaces (including owners) and employers.

Generally, an Australian employer must provide:

- a safe workplace and safe ways of working;
- equipment, tools and machinery in a safe condition;
- safe and hygienic facilities, including toilets, eating areas and first aid facilities;
- information, training and supervision to all workers;
- a process for consultation with workers to keep workers informed and involved in decisions that may affect their health and safety.

Failure to do so can result in prosecution and heavy penalties for employers.

OHS legislation (for example, in NSW the *Occupational Health and Safety Act 2000* and the *Occupational Health and Safety Regulation 2001*) also sets out the obligations of all parties in the workplace to ensure that employees have adequate information and training in how to work safely. The risk management provisions in the Regulations require employers and others to carry out:

- hazard identification;
- risk assessment;
- elimination or control of risks;

and to make sure that workers are aware of the necessary safety procedures in the event of emergencies, and of the procedures for reporting hazards or accidents.



Supervise staff

Successfully managing your staff not only involves training them in the products and services you sell and making sure they understand the rules and procedures in your business, it also involves good communication. The following checklist shows some ways to communicate more effectively with your staff.

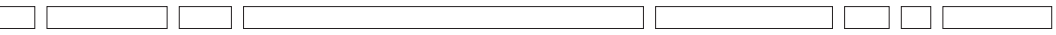
Checklist – keeping staff motivated

- Communicate your expectations clearly.
What tasks need to be done? By when?
What standards of quality are required? What behaviour is expected? Keep a steady flow of information running between you and your staff.
- Give feedback. Positive and negative feedback is powerful. People need to know what is good about their work and what can be improved.
- Be prompt. Deal with staff performance issues (good and bad) promptly.
- Be positive. Your mood affects staff. Approach discussions with staff with a positive focus and they will be more open to your suggestions. Discuss issues with them honestly and with respect.
- Attend to your good performers as well as your poor performers. It's easy to spend more time on those you think need more supervision and coaching. But good performers also want feedback and they respond positively to it.
- Offer training. Relevant training enhances the skills of your staff and can be a positive motivation tool.

Dismissing poor performers

You should not ignore unacceptable staff behaviour. Poor performers must understand why their performance is unsatisfactory and should be given an opportunity to improve. If, after repeated counselling, there is no improvement in an employee's behaviour, you may need to consider dismissing the employee. You should speak with your legal adviser or trade association before you dismiss an employee, because if a termination is not handled correctly it can result in a claim by the employee for unfair or unlawful dismissal.

The growing incidence of claims by dismissed employees against former employers reinforces the need to obtain proper advice before implementing procedures that could result in termination of employment.



Who can help you?

Recruitment

The Federal Government's employer hotline, JobSearch, offers employment services to employers through a network of over 200 government, commercial and community-based agencies in all States and Territories. You can lodge a job on the JobSearch network database by telephoning 13 17 15, or you can find JobSearch on the Internet at www.JobSearch.gov.au

If you are willing to take on apprentices and trainees, contact:

- your nearest New Apprenticeship Referral Centre – for details call 1800 639 629; or
- the nearest Australia National Group Training Association; call 02 9299 6099 or the Group Training Association in your State or Territory (e.g. Group Training Association of NSW: 1800 819 747).

Health and safety and workers compensation

Your State workcover authority provides information on health and safety and details of which organisations offer workers compensation cover.

NSW: www.workcover.nsw.gov.au
02 4321 5000

VIC: www.workcover.vic.gov.au
03 9641 1555

QLD: www.workcover.qld.gov.au
1300 362 128

NT: www.worksafe.nt.gov.au
08 8999 5010

SA: www.workcover.com
13 18 55

ACT: www.workcover.act.gov.au
02 6205 0200

WA: www.workcover.wa.gov.au
08 9388 5555

TAS: www.wst.tas.gov.au
03 6233 7657
(or 1300 366 322 in Tasmania)

Trade practices legislation

There are both Federal and State laws to promote competition and fair trading and to provide business and consumer protection from anti-competitive and unfair practices. You need to understand the types of behaviour which are prohibited, so that your business does not inadvertently engage in prohibited anti-competitive behaviour or unfair practices, and also so that others engaging in such activities do not take advantage of you.

Restrictive practices and fair trading

There are many prohibited practices you need to avoid in trade and commerce including any behaviour that is:

- Restrictive – any practices that are anti-competitive, for example, suppliers not allowing resellers to set prices below the recommended retail price or competitors agreeing to fix prices.
- Unconscionable – any practices that take unfair advantage of the weaknesses of others, which may include business consumers.
- Unfair practices – any practices that are unfair within the meaning of the trade practices and fair trading legislation including misleading and deceptive conduct.

In addition there are other consumer protection provisions including conditions and warranties that apply in the supply of products and services in consumer transactions.





Pay particular attention to any standard form contracts, promotional material and advertisements you produce. Consumer protection laws prevent you from making false claims about your products or services, and require your products to be safe and in good condition. You may also have to provide a warranty, as well as those that are implied by law.

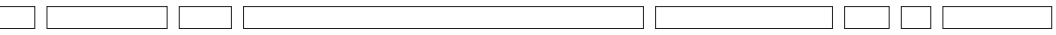
You can't force or coerce sales. Ensure that your sales staff are trained, informed and adequately supervised. Make sure, too, that you have a customer complaints procedure and that your staff are aware of it.

Trade practices legislation can also protect you. For example, as a buyer of goods or services, and provided that you are a consumer within the meaning of the legislation, you have a number of rights if the goods or services you have bought are not delivered or are substandard, or are of a quality or manufacture different from the sample from which you ordered. Such rights include taking legal action against the supplier for damages caused to you or your business.

The other major area covered by trade practices legislation concerns all types of personal, domestic and household credit and is covered by the Consumer Credit Code. The main focus of the Consumer Credit Code is to make sure that all parties to regulated credit contracts are fully informed before, during and after the formation of the contract.

Who can help you?

- The Australian Competition and Consumer Commission (ACCC) provides information and guidance to the public and business, especially on matters affecting consumer interests.
- The ACCC has offices in Canberra, Sydney, Brisbane, Townsville, Darwin, Adelaide, Melbourne, Perth and Hobart. Or visit the ACCC's web site: www.accc.gov.au or phone the ACCC Information Centre on 1300 302 502.
- Also visit the ACCC's site offering advice to small business: www.accc.gov.au/content/index.phtml/itemId/86277
- The ACCC also receives and investigates complaints about restrictive trade practices and alleged offences against consumer protection laws. The ACCC may then take these matters to the Federal Court of Australia. The ACCC has the power to obtain information, documents and evidence if it has reason to believe a person can provide such and that it is relevant.
- The Federal Government's Department of Industry, Tourism and Resources publishes the Legal Issues Guide for Small Business, which has been prepared to assist small business managers in determining the nature of legal problems that may affect them and the range of options available to deal with them. For more information on the Guide, visit the Department's web site at www.sblegal.industry.gov.au



Entering into agreements

Contracts are “legally binding” agreements that in the eyes of the law are valid and must be fulfilled.

You will enter into contracts when leasing premises or equipment, taking out a loan, buying insurance cover, or when buying or selling a product or service.

For a discussion, negotiation or deal involving promises to become a contract (and therefore legally binding) it must contain the following four ingredients:

- offer – there must be a definite offer to do something;
- acceptance – the offer must be clearly understood and accepted;
- intention of legal consequences – the parties to the agreement must understand that the agreement is binding;
- consideration – something of value must be given in exchange for what will be done unless the contract is by deed.

For example:

An offer includes an advertisement with complete price details or a formal quotation, not just a “ball park” estimate of cost.

Tip

Make sure all parties understand what they have agreed. For a contract to work all parties have to agree on all the details.

A simple contract can be made verbally, in writing, or a combination of the two or implied by conduct. To avoid misunderstandings later it is advisable to put all of your larger or more complex agreements in writing. Certain contracts must be in writing to be enforceable, and these include contracts for the sale of land or interests in land, regulated contracts under the Consumer Credit Code and certain contracts for the sale of goods.

A good contract will include details (express terms) of exactly what is expected of the parties, and clearly outline issues like the price, timing and payment terms. Some details will be implied (implied terms) in the contract and include common sense (to give business efficacy to the contract), standard industry practice, the law and, apart from certain exceptions including those referred to above, past conduct of the parties.

Note: Apart from certain exceptions mentioned above, you can make a simple contract verbally or in writing. A written contract that does not have to satisfy any legislative requirements as to form or contents can range from a letter to a legal document of numerous clauses. As contracts can have far-reaching consequences if breached, if you have any doubts whatsoever, you should seek legal advice.

When an agreement goes wrong

In the eyes of the law, the terms of a contract, whether express or implied, have different levels of importance. Contract conditions are major terms that if not fulfilled generally make the contract pointless, while contract warranties are more minor terms that are not generally fundamental to the contract. There are other intermediate terms, any breach of which may or may not have the consequences of a breach of condition.

Failing to comply with a condition or an intermediate term (if the effect of the breach is to deprive the party not in default of the whole of its intended benefit under the contract) can result in the contract being terminated and compensation being paid for the loss or damage resulting from the failure to comply: whereas failure to comply with a warranty generally doesn't lead to termination but may involve compensation.

Who can help you?

- The Department of Employment and Workplace Relations publishes a range of documents on employment and workplace relations, including information on awards and dispute resolution. Find it on the Internet at: www.dewrsb.gov.au/publications
- Your solicitor.



Using technology to do business

Technology can be used to benefit many areas of your business including administration, commerce, communication and marketing.

Administration

Computers and computer software programs can have an enormous impact on the way you administer your business, particularly the accounting, invoicing, payroll and other back-end processes. Processing times can be reduced and you may be able to integrate your systems so that, for example, invoices and reminder notices can be automatically generated. Bar coding can also be used to track stock levels more efficiently.

Commerce

With more and more companies and consumers using the Internet, many small businesses are conducting business online in addition to more traditional methods of doing business. You can buy and sell products and services online, and also conduct banking, bill paying and other business transactions.

For example:

- A retail outlet selling aquarium supplies in a metropolitan suburb found that its web site attracted customers from a much wider area, including interstate.
- A second-hand building materials firm did not have its own web site, but advertised on other buy-and-sell web sites, with a positive impact measured by increases in enquiries, number of sales closed by email, and greater traffic to its street location.
- A clothing manufacturer uses its web site to promote custom-made jeans. On the web site customers are able to enter their personal measurements and select fabric, colours and designs. The information is fed to a computer program that makes the jeans to the order. The jeans are then mailed to the customer.

Tip

Adopt a staged approach to technology. Ensure staff and customers are comfortable with your technology at each stage.

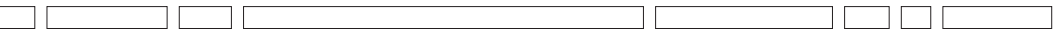
Communication

Technology can help you effectively and instantaneously communicate with customers, suppliers and staff in near and remote locations. A range of communication tools like email, fax, mobile phones and messaging technology can enable your business to provide faster, more efficient customer service.

Using information technology in marketing

Technology can also help you to market your product or service more effectively by allowing you to reach more customers domestically and overseas. A web site, for example, can highlight your products or services and your business capabilities. Incorporating contact details, order forms and technology which enables your customers to make orders and pay for them online, may be a good investment for expanding your business reach and customer base, particularly if your competitors have a web presence.

Note: Choosing the right technology, and ensuring it is effectively integrated into your business operation, can result in significant benefits, such as improved efficiency, lower costs and better profits.



Who can help you?

Useful web sites:

- The Small/Medium Business Section on the OzNetLaw web site provides information on the legal issues about topics such as connecting to the Internet, developing a business web site, and information security on the web. You can find it on the Internet at www.oznetlaw.net

- State government departments also offer advice to small businesses on how to use information technology (IT) in a strategic and business-wise way. These can be found at:

NT: www.kakadu.nt.gov.au/pls/portal30/url/page/DBIRD/TBC

NSW: www.smallbiz.nsw.gov.au

VIC: www.ecommerce.vic.gov.au

TAS: www.tecc.com.au

SA: www.southaustralia.biz/dted/index.htm

WA: www.e-start.sbdc.com.au

QLD: www.sdi.qld.gov.au

- www.telstra.com/services
- www.ibm.com.au

Marketing

No matter how good your product or service is, you won't make a success out of your business if your product or service doesn't sell. At its most basic level, good marketing informs potential customers about your product or service, and encourages them to buy.

But this doesn't just mean glossy brochures listing the features and benefits. Marketing means looking at the "big picture" and critically examining your product or service, and your business in relation to customer requirements, your competitors, and to the trends in the market as a whole.

Your product or service

Your product or service must satisfy customers. Certain elements of a product or service will influence your marketing, including:

- the features, style and quality of the product or service;
- the packaging, presentation and branding;
- the total customer service surrounding the product, which may include installation, warranties or maintenance.

At this stage there are a number of questions to answer:

- Where does your product or service fit in the existing marketplace?
- What customer need or want does your product or service satisfy?
- How is your product or service different from competitor items in terms of price, quality or customer service?
- Why will customers choose to buy from you?

Tip

If in doubt, price on the high side – it is always easier to discount prices than to raise them.

Pricing, packaging and distribution

The most common mistake you can make in pricing your products or services is basing the price only on the direct costs of production, or only on competitors' prices.

When pricing your product, you'll need to cover the costs of production, cover the costs of marketing and overheads, afford discounts to wholesale customers or commissions to sellers, and meet your profit objectives.

You'll also need to keep an eye on your competitors' prices. But remember that you don't have to just compete on price – look at ways of providing a better or more convenient service to your customers.



The way your product will be distributed is another important consideration. As a starting point it's a good idea to look at how your competitors distribute their products; you'll also need to weigh up the costs associated with each channel.

To a large extent the way you package your product will depend on how it will be distributed and needs to be functional so your product arrives at the customer in good condition.

When selling services, the "packaging" can include logo identification on stationery and uniforms, and the unique way your company presents its services.

Packaging should reflect what is unique about your business, and what your customers value.

Marketing costs

Many businesses work out how much they spend on marketing by looking at what money is left over after everything else is paid for. Rather than thinking about marketing as an afterthought, determine what outcomes you hope to achieve and set a reasonable budget to achieve those outcomes. Your competitors' marketing expenditure can also be a useful guide when setting your marketing budget.

Note: Marketing expenditure can range from 1% to 50% of sales revenue, depending on the market you are in.

Advertising and promotion

Once you've established how much you can spend on marketing, there are many ways to advertise and promote your business, and your product or service. But always be mindful of legislation prohibiting the making of untrue statements about your product or service in the marketplace. Always avoid misleading statements in your advertising.

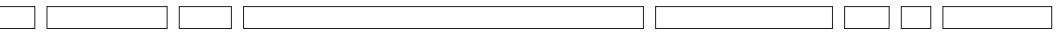
Tip

A limited budget that is used cleverly can still let potential customers know about you, your business and your products or services. Demonstrating the uniqueness of your product or service could be more effective than imitating your competitors.

Look at these examples:

- Take Patrick Roberts, a high-class furniture maker. Despite never advertising, he has regular work from clients. How does he get his business? Well, a business card, a brochure, a portfolio of his works and regular exhibits at regional furniture shows means that over a 20-year period Patrick has established a network of people who recommend him simply by "word-of-mouth".
- Then there's Hilary Chong. Migrating to Australia from Singapore, Hilary wanted to start a restaurant offering authentic Asian cuisine in the suburb where she lived. Due to limited funds, Hilary had basic décor, but a billboard on the footpath announced the restaurant's unique fare. Making contact with the local newspaper, Hilary's restaurant was featured and a regular advertisement in the same paper has seen business pick up, leading to a regular clientele.
- Gary Evans and John Watts launched a new, patented steel joint designed to fit between slabs of concrete and lock them together. Forming a company and setting up production, the pair had difficulty getting construction firms to notice and trust a new product. Because they couldn't afford advertisements, the pair worked hard at trade shows instead. The biggest breakthrough, however, wasn't through paid advertising, but through their entry into a national award for innovation. A highly commended prize saw demand for the steel joint jump. This allowed them to afford a much broader advertising campaign consisting of print, television and radio advertising.

Remember, your advertising and promotion should communicate a simple message, be believable and be truthful. Make sure your communications tell people how they can buy your product or service and contact you, and ensure you have enough stock (and staff) to fulfill the expected demand.



Some simple and relatively low cost advertising and promotional ideas include:

- listing your business in the Yellow Pages phone directory;
- free publicity in newspapers, magazines, radio and maybe even on TV if your product or service is “newsworthy” enough;
- special discounts for regular customers;
- distributing flyers about your product or service;
- advertisements in newspapers and trade magazines;
- in-store demonstrations of your product or service;
- packaging/branding of your product or service;
- simple board at the front of a retail store;
- setting up an Internet site and linking with other relevant sites to gain traffic, and promote the web address on all packaging, etc.;

- having a stand at relevant trade shows;
- free giveaways and samples.

Also, don't forget the importance of professional business stationery including your business letterhead, stationery and business cards. Keep your business identity the same on all your stationery through the use of logos and style, so people come to recognise your business.

When you are taking orders, remember to ask customers how they found out about your business – this helps you to determine which of the marketing methods you've used has been most successful.

Marketing effectiveness

It is not always possible to say that \$X spent on advertising led to a \$Y increase in sales, but you can establish if advertising has impacted on sales by doing a cost/benefit analysis.

Examples of cost/benefit analysis for marketing campaigns	Costs (e.g. money spent)	Benefits (e.g. sales achieved)	Analysis
	Cost of Campaign 1 – \$2,000	Increased sales achieved – \$4,500	\$2,000 investment has achieved \$4,500 increase in sales (or \$2,500 after marketing costs)
	Design, printing and distribution of brochures promoting a new product	Increased sales directly attributable to the brochure campaign, measured at the end of eight weeks after the campaign was executed	
	Cost of Campaign 2 – \$15,000	Increased sales achieved – \$25,000	\$15,000 investment has achieved \$25,000 increase in sales (or \$10,000 after marketing costs)
	Full-page advertisement in newspaper promoting a new product	Increased sales directly attributable to the advertising campaign, measured at the end of eight weeks after the campaign was executed.	



Who can help you?

- Marketing, advertising and public relations agencies.
- Your local newspaper.
- Trade and employer associations, e.g. The Employers' Federation, Australian Business Chamber.
- And if you want to market internationally, Austrade (Australian Trade Commission) www.austrade.gov.au or 13 28 78.

Taxation

Staying on top of your tax obligations is one of the biggest challenges of running a business. A missed tax payment, missed return deadline, wrongly claimed deduction or incomplete records could cost your business dearly in unplanned tax payments, interest on overdue taxes and penalties.

While retaining a good accountant or tax adviser may assist you to comply with your numerous tax obligations, you should make sure you have a working knowledge of what taxes you have to pay, by when and the records you need to keep.

Tip

Don't treat the tax you collect on behalf of staff like income. There may be a delay between collection and remittance to the ATO – but it is never yours!

Taxation of business profits

In a sole trader or partnership structure the amount of income you earn (including business income and any personal income) less the costs of running your business and any allowable tax deductions such as depreciation on machinery and equipment determine how much taxable income you have earned. Your taxable income is then taxed at the applicable personal income tax rate.

A company is a separate legal entity and also a separate taxable entity. The amount of income less the costs associated with business and any allowable tax deductions determine your company's level of taxable income. A company's taxable income is taxed at the corporate tax rate. Any distribution of profits made by the company to the owner/shareholder(s) is generally by way of dividends. The dividends are included in the owner/shareholder(s) income and taxed at the applicable personal income tax rate.

Paying income tax

The system for payment of income taxes is called the Pay-As-You-Go (PAYG) system and helps you meet your annual tax liability by requiring you to pay amounts during the year as income is earned.

The PAYG system applies to individuals, companies, corporate limited partnerships, trustees of corporate unit trusts and public trading trusts, and trustees of superannuation funds.

Note: Partnerships are not liable to submit PAYG instalments, however, each partner is required to include a proportion of the partnership's instalment income in their own individual instalment income.

The PAYG system has two main components – PAYG instalments and PAYG withholding.

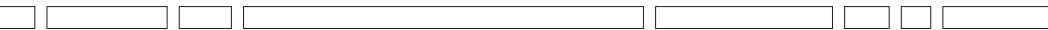
PAYG instalments

The PAYG instalment system governs the payment of income tax by taxpayers who derive income that is not subject to withholding (i.e. taxpayers who get business and/or investment income). Under these arrangements, most businesses will pay quarterly PAYG instalments.

PAYG withholding

When businesses make certain payments, the PAYG withholding system requires them to withhold 48.5% of the following amounts:

- payments for work or services under a labour hire arrangement;
- payments for work or services where an entity and an individual agree that withholding will occur; and
- payments for supplies for GST purposes made by the payee where the payee does not quote an ABN.



The amounts withheld must be forwarded to the ATO.

There is no requirement to withhold any amounts if:

- you are an individual and the payment is of a private or domestic nature;
- the recipient is an individual and has made a written and signed statement that the supply is for private or domestic use;
- the payment is \$50 or less;
- the payment is exempt income of the recipient; or
- you are an investment body and are already required to withhold due to the non-quotations of a tax file number or ABN.

Note: If your business does not include its ABN on its invoices, the businesses you supply are required to withhold tax at the rate of 48.5% from any payments they make to your business. A credit for these amounts withheld may be claimed in the next tax return of the business.

Paying withholdings to the Australian Taxation Office

There are three categories of withholders:

- small withholders – those with total withholdings less than \$25,000 are required to send their withholdings every quarter;
- medium withholders – those with total annual withholdings between \$25,000 and \$1 million are required to send their withholdings monthly;
- large withholders – over \$1 million annually are required to send their withholdings weekly.

All businesses report their PAYG instalments and PAYG withholdings on either their Business Activity Statement, or their Instalment Activity Statement if not registered for GST.

Note: These statements are the forms you use to account for the taxes your business has to pay. Depending on your tax period (quarterly or monthly if your annual turnover is more than \$20 million), the ATO will send you the statement, which you will have to complete and lodge with the ATO.



The Business Activity Statement will include details of GST (both paid and collected), PAYG and Fringe Benefit Tax (FBT) instalments, and PAYG withholdings.

The net amount shown on this statement is the amount to be paid to, or refunded by, the ATO.

The ATO web site contains helpful information about starting a business and keeping business records. Visit the web site at www.ato.gov.au/businesses to find out more.

Goods and Services Tax (GST)

The rate of GST is 10%. Businesses are required to account to the ATO for the GST they collect from their customers.

If you acquire goods and services as part of your business, you can claim a credit for the GST that has been included in the price. This is called an “input tax credit” (GST credit) because it is a credit for the GST on your business inputs. You must account for this amount of GST to the ATO.

In summary, a typical business will:

- charge GST on the goods and services it sells; and
- claim a credit for the GST on the goods and services it acquires.

The combined effect of these rules is that the ultimate burden of the GST falls on private consumers as they don't get a credit for the GST they pay. The businesses that form part of the chain of supply act as progressive collectors of the tax.

Most businesses are required to register under the GST system, although there are some exceptions. If a business is not registered, it cannot charge GST and cannot claim GST credits. The GST registration number generally uses an ABN which was discussed on page 14.

A GST return, which is part of your Business Activity Statement, is used to account to the ATO for the GST you charge and the GST credits you claim.

If the GST you collect in a tax period is more than your GST credits, you pay the balance to the ATO. If your GST credits are more than the GST collected, you will get a refund.

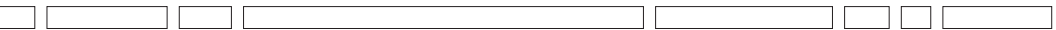
Capital Gains Tax (CGT)

CGT is a tax paid on profits made when you sell CGT assets which were purchased after 19 September 1985.

Note: Where an area of your home is also “a place of business”, and you sell your home, you may have to pay CGT in proportion to that business use. Don't just wait until you sell your home, get advice from your accountant or financial adviser now as your record keeping and planning will need to address the CGT issue if it applies to you. As a general rule, if you claim a certain percentage of your home as an office, then that percentage of the sale price will attract CGT.

If you make a loss when you sell a CGT asset, the loss can be used to reduce a capital gain. The loss cannot be deducted against ordinary income.

There are a number of issues relating to capital gains tax and it is important that you seek professional advice in this area.



Fringe benefits tax (FBT)

You must pay FBT on certain non-salary and wage benefits provided to your employees. It is payable on the value of the fringe benefit and includes things like company cars, loans, expenses and housing and any benefits paid to associates (spouses or children) of your employees. The government also introduced “Reportable Benefits” that disclose the amount of benefits received each FBT year on an employee’s Group Certificate.

Payroll tax

Payroll tax is levied on the total payroll (wages and salaries) paid by the business to employees. Allowances and other benefits are generally included as a part of the payroll for the purposes of calculating this tax. The threshold at which payroll tax is levied is different in each State and Territory.

Other taxes

Other taxes you may be liable to pay include stamp duty, debits tax and land tax, all of which are State and Territory taxes.

Tax records

If you run a business, you must keep tax records. These records will assist you to substantiate your income, gains, losses, costs and expenses and other amounts that affect your tax liabilities.

You must keep these records even though they don’t have to be lodged with the tax return under the self-assessment system.

You must retain the records for five years. The only time you do not need to keep records is if the ATO notifies you that you don’t have to, or they relate to a company that has been finally dissolved. Failing to keep adequate tax records is a serious issue and the fines and penalties are large.

Tax planning points

You may need to discuss with your accountant or financial adviser the tax ramifications of business decisions, before you make them.

Who can help you?

- Your accountant or financial adviser.
- Your solicitor.
- Australian Taxation Office www.ato.gov.au
 - Business Infoline 13 24 78
 - Business taxes including FBT 13 28 66
 - Superannuation Infoline 13 10 20
- New South Wales Office of State Revenue www.osr.nsw.gov.au
 - Payroll tax 1300 139 815
 - Stamp duty 1300 139 814
 - Land tax 1300 139 816
- State Revenue Office of Victoria www.sro.vic.gov.au or 13 21 61
- Office of State Revenue of Queensland www.osr.qld.gov.au or general enquiries 1300 300 734
- Revenue South Australia www.revenuesa.sa.gov.au
 - Payroll tax 08 8204 9880
 - Stamp duty 08 8226 3750
 - Land tax 08 8204 9870
- Western Australian Department of Treasury and Finance www.osr.wa.gov.au (or 1300 368 364 in Western Australia)
 - Payroll tax 08 9262 1300
 - Stamp duty 08 9262 1100
 - Land tax 08 9262 1200
- Department of Treasury and Finance www.treasury.tas.gov.au
 - Payroll tax 03 6233 2813
 - Stamp duty 03 6233 6670
 - Land tax 03 6233 2205
- ACT Revenue Office www.revenue.act.gov.au
 - Payroll tax 02 6207 0088
 - Stamp duty 02 6207 0028
 - Land tax 02 6207 0047 (Sector 1)
02 6207 0107 (Sector 2)
02 6207 0053 (Sector 3)



Superannuation

Superannuation is a form of enforced saving for retirement. Employers have to, and employees may, make payments into specially structured “superannuation funds”.

The minimum amount of payment required is a set percentage of the employees’ earnings. If you don’t make this minimum superannuation contribution for your employees you will have to pay a superannuation guarantee charge to the ATO. Some superannuation entitlements are defined in industrial awards, which must be complied with.

At the end of your employee’s working life (ended by retirement, permanent incapacity or death), the amount that has accumulated in the fund on their behalf is paid out directly to the employee (or the estate) as either a lump sum or periodic payment.

Superannuation checklist for employers

- Determine which employees are eligible and which are exempt.
- Determine the superannuation fund(s) you will pay employer contributions to.
- Supply the chosen superannuation fund(s) with details of all eligible employees.
- Determine the current rate of employer contributions.
- Determine the earnings base for each employee.
- Calculate the minimum amount payable for each employee.
- Determine which employees are liable for the Superannuation Contributions Surcharge (a government charge on high-income earners), and tax them accordingly.
- Calculate if you are paying at least the minimum amount, or if there is a shortfall.
- If there is a shortfall:
 - calculate the Superannuation Guarantee Charge payable;
 - lodge a Superannuation Guarantee Statement.
- Keep records for each employee, for at least five years.

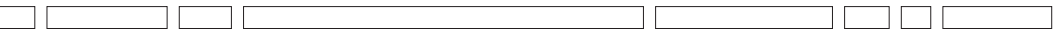


Your personal superannuation

As an individual running your own business, superannuation can provide financial security for your own retirement. Superannuation may give you a high return and can be tax effective as income from superannuation funds is taxed at lower rates than general individual income. It is a good idea to have a financial plan and make individual contributions to a fund of your choice (e.g. a small family run fund or a bank superannuation scheme).

Who can help you?

- Your accountant, financial adviser or solicitor.
- Useful web sites: Australian Taxation Office www.ato.gov.au or Superannuation Infoline on 13 10 20, and the Australian Prudential Regulation Authority www.apra.gov.au or on 1300 131 060.



Protecting your assets

Just as you take steps to make sure your home and family are safe, you should also take steps to protect your business. Taking out adequate insurance will help protect your business, but it is not the only option. You will also need to minimise and control the risks inherent in your business.

Check your policy carefully for exclusions, i.e. risks that the insurer won't cover.

Tip
Shop around – policies and premiums can vary greatly from insurer to insurer.

Insurance

You shouldn't view adequate insurance coverage as a luxury. A good place to start involves determining your most valuable assets (both real and intangible) to see what you need to protect. While you can't insure against all events, insurance may save you a lot of money and even save your business.

To avoid spending money on insurance cover you don't need, carefully look at the types of insurance generally available to businesses that cover:

- property damage;
- public liability;
- product liability;
- loss or theft of property;
- professional indemnity;
- income protection.

Workers compensation insurance and motor vehicle third party insurance are compulsory.

You should also have adequate insurance cover over your personal assets like your home and contents and car, as any unexpected disaster affecting your personal life may make it more difficult for you to give your business the time and money it needs. In addition you should also consider some form of life insurance.

You may be able to save on insurance premiums and get by with less insurance if you have a solid risk reduction plan that is followed by you and your employees.

Theft

Protecting your office and equipment and the property of your employees from theft is an important part of securing your workplace. The simplest and least expensive ways of protecting your workplace include:

- good locks – use double key cylinder deadlocks on doors, windows and other access points of your premises. If you are taking over an existing business, it may be advisable to have new locks fitted and new keys issued, so that you have an accurate register of all key-holders;
- staff security procedures – ensure the last person to leave the site checks that doors and windows have been locked, and it's also a good idea to control the number and availability of keys;
- good internal and external lighting – well-positioned lights can decrease the chance of burglars being able to easily enter and leave your premises;
- security systems – security alarms can be silent or with sirens, "back-to-base" or local and can act as a powerful deterrent to burglars;
- security services – a security firm can be engaged to patrol your premises and check that access points have been undisturbed.

Fraud

The best way to prevent fraud is to be vigilant and set up controls for handling money, checking that sales have been recorded and checking your financial records.

Be on the lookout for any:

- decline in cash sales – some cash sales may not be being recorded;
- unexpectedly low balances in the business bank account – money may be being siphoned out of the account;
- shortfall of stock compared to inventory – may indicate employee pilfering, and fictitious or unrecorded sales.



A good internal control system may prevent fraud, and can include opening all the mail yourself, examining your bank statement to see if there's anything unusual, having two people authorise cheques, personally authorising pay cheques and backing-up computer files daily.

Protecting your ideas

Intellectual property (IP) represents the property of your mind or intellect – in other words, your good ideas about new concepts, products or processes. Intellectual property can be an invention, trademark, original design, or the practical application of a good idea. The rights to this property are very valuable assets that can separate your business from that of your competition, making your products and services unique and attractive to your customers.

Tip

Know your rights, as it's expensive if you let others steal your ideas, or if you infringe other people's rights.

Intellectual property rights include:

- patents – these give you the exclusive rights to stop others from manufacturing, using and/or selling your invention;
- designs – these are used to protect the visual appearance of a manufactured product;
- trademarks – these are used to protect the identity of your goods and services. They can be a letter, number, phrase, sound, smell, shape, logo, picture, packaging or any combination of these;
- copyright – protects the original expression of ideas, not the ideas themselves. Includes protection for original works of art, literature, music, films, broadcasts and computer programs, from unauthorised copying;
- confidential information – information such as trade secrets information, product manufacturing specifications, business and marketing plans, and client lists;
- know-how – relating to the application of tried and tested techniques or processes applied to new situations.

Many of these IP rights and other intangible assets are often the building blocks of new businesses, and form key parts of your business plan. With a good business plan, these assets could become more valuable. So, from the start, be aware of the importance of your IP assets and ensure that they are well-protected and managed.

If you want to protect your new product, process or concept it is a good idea to seek specialised advice from a registered patent or trademark attorney.

Financial risk

There are ways of minimising your exposure to interest rate increases and foreign currency fluctuations. Financial risk management is all about preparing for the unforeseen, and you may consider changing your variable interest loan to a fixed interest loan or talking to your Business Banker about ways to minimise the effects of currency movements if you are an importer or exporter. See “Managing risk” on page 25.

Who can help you?

■ Insurance

- Insurance agents – these are agents tied to particular insurance companies and they will only sell the products of those companies.
- Insurance brokers – these are independent, so look at a wide range of products but they may charge you a fee for their services.

■ Protecting ideas

- IP Australia is responsible for the grant of effective patents, trademarks and designs. Its web site is www.ipaustralia.gov.au For IP information when starting a new small business, see www.ipaustralia.gov.au/smart_start
- The general enquiries number is 1300 651 010, or you can contact IP Australia by email on assist@ipaustralia.gov.au
- It has offices in Adelaide, Brisbane, Canberra, Hobart, Melbourne, Perth and Sydney. Check your local directory for contact details.