

BUSINESS & PROFIT MATTERS

Strategies for managing your business



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Lee & Lee
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Business Obligations In The New Year

At the start of a new financial year, businesses often find themselves at their busiest as they handle their obligations that are coming due. While every business has different needs, everyone must ensure they have done the right thing by their employees.

Throughout this month, your business needs to have ticked the boxes to ensure you do the right thing by your employees and the obligations that you need to meet.

SINGLE TOUCH PAYROLL (STP) FINALISATION

- Employee STP data needs to have already been finalised, as the due date for this data was 14 July. This information is used to complete their tax returns. If you have both closely held payees and arm's length employees, your finalisation

declaration for your closely held payees is due by 30 September each year. If you can't make a finalisation declaration on or before the due date, you must apply for a deferral.

- Remember to double-check that you have finalised the STP data for the 2022–23 financial year – particularly if you have done so early in July.
- You must lodge a finalisation declaration for all employees you've paid and reported through STP during the financial year. This includes those employees who may have only worked for part of the financial year, for instance, terminated employees and casuals.

PAYG WITHHOLDING

- You must lodge a PAYG withholding annual report for all payments not reported and finalised through STP.
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TAX TABLES

- Use the PAYG withholding tax tables or tax withheld calculator when determining how much to withhold from your payments to your employees or other payees in the new financial year.



SUPER GUARANTEE (SG) RATE

- The SG rate has increased from 10.5% to 11% from 1 July 2023. Ensure your payroll and accounting systems are updated to include this.



TAXABLE PAYMENTS ANNUAL REPORT

- Businesses and Government entities who pay contractors may be required to report these payments and lodge a taxable payments annual report by (TPAR) by 28 August 2023. Contractors can include subcontractors, consultants and independent contractors. They can operate as sole traders (individuals), companies, partnerships or trusts. PAR is applicable to builders, cleaning contractors, and IT consultants, among other industries, and the list is growing every year.



Businesses should also consider the following general housekeeping tips to smooth out the start of the new financial year:

- **Cash flow** is the lifeblood of a business, and having a healthy cash flow is crucial to long-term success. There are several ways in which you can review your cash flow at the start of the financial year:
 - ◇ **Create a cash flow statement:** This provides an overview of all the money flowing in and out of your business over a certain period, usually a quarter or a month.
 - ◇ **Create a cash flow forecast:** This is an estimation of how much cash will be flowing in and out of your business in the future, usually covering the next financial year.
- **Review your business plan and marketing plan** to ensure that it is still fit for purpose for the year ahead and your business's needs. This could include:
 - ◇ Reassessing your short- and long-term goals
 - ◇ Reviewing your sales and marketing budgets
 - ◇ Reviewing which strategies have been working and which need to be revisited
 - ◇ Reassessing the market and the competition
 - ◇ Identifying new business opportunities
- Is the **business structure** that your business is currently operating in the most tax-effective/efficient? It may be a good idea to discuss your business's structure with your accountant or financial advisor to work out if it remains the most suitable option for your situation.
- Consider **updating your processes and technologies** to assist with the management and growth of your business - this may be via adopting cloud-based software & storage options, automation, etc.

What Does Professional Services Income Mean (And Does It Apply To You)?

If you are a new business owner earning more than half of your income from your personal efforts or skills, rather than from the use of assets, sale of goods or from a business structure, then this income is referred to as personal services income (PSI) and may affect what you can claim on your tax return.

PSI can be earned either directly as a sole trader or through another entity such as a company, partnership or trust.

If the income is deemed PSI, Personal Service Business Tests must be conducted to determine if your deductions will be affected.

You can self-assess as a PSB if you either:

- meet the results test in relation to at least 75% of your PSI, or
- meet one of the other PSB tests, and less than 80% of your PSI is from the same entity and its associates.

The other PSB tests are:

- unrelated clients test
 - ◇ To pass the unrelated clients test in an income year, you must meet both of the following conditions:
 - i. You must have received PSI from 2 or more unrelated clients.
 - ii. There must be a direct connection between the offer to the public and you being engaged to perform the work.

- employment test
 - ◇ To pass the employment test, your business must employ or contract others to help perform work that generates your PSI, and you must meet one of the following conditions:
 - i. at least 20% of the principal work is performed by others
 - ii. one or more apprentices are employed for at least 6 months of the income year.
- business premises test.
 - ◇ You will pass the business premises test if, at all times in the income year, you maintained and used business premises that meet all of the following conditions:
 - i. used mainly to gain or produce PSI
 - ii. used exclusively by you
 - iii. physically separate from your private premises
 - iv. physically separate from your client's premises

If a PSB is being conducted, PSI rules will not apply, and all expenses related to your PSI can be claimed (provided that you meet the other deduction rules).



It's important to understand PSI from the commencement of your business, as it can affect the deductions you can claim. However, this can be tricky to determine and may require the assistance of professionals. Come start a conversation with a trusted.



Common Threats To Your Business's Cybersecurity

For businesses of any size (small, medium or large), the risk posed by poor cybersecurity policies could cost them considerably.

In the event of a cybersecurity incident, the long-term costs and consequences of such an incident can range from months to years and include significant expenses that companies are unaware of or do not anticipate in their planning.

- ! These costs can include lost data, business disruption, revenue losses from system downtime, notification costs, or even damage to a brand's reputation.

There are many simple and inexpensive measures businesses can use to improve their security and prevent these issues from occurring.

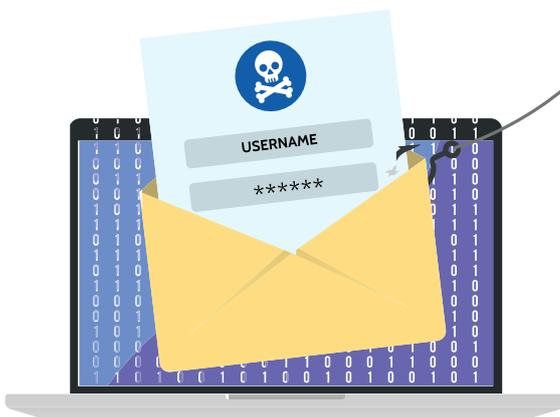


Scam Messages/Phishing

Scams are a common way that cybercriminals target small businesses.

Their goal is to scam you or your staff into:

-  sending money or gift cards
-  clicking on malicious links or attachments
-  giving away sensitive information, such as passwords.



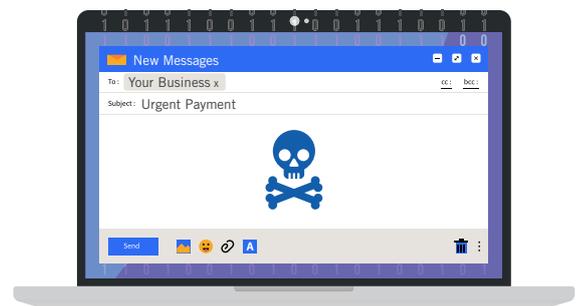
If you are a small business, you should be especially careful of **phishing attacks**. These scam messages often link to a fake website and encourage unwitting recipients to login, giving them access to account information like passwords and login details.

Phishing messages can be sent in many ways, including emails, SMS, social media, instant messaging platforms, or even phone calls.

They can feature official-looking logos and disclaimers and typically include a 'call to action' to trick people into sharing sensitive and personal information, such as passwords and banking details, and much more.

Email Attacks

A common email attack against small businesses is a **business email compromise (BEC)**. Through this, criminals can impersonate business representatives by using compromised email accounts, or through other means (such as using a domain name that looks similar to a real business's one). The goal of these attacks is to scam victims into sending funds to a bank account operated by the scammer.



The best way to defend against email compromises is by training and raising awareness for your employees. Ensure your staff know always to be cautious of emails with the following:

-  requests for payments, especially if urgent or overdue
-  change of bank details
-  an email address that doesn't look quite right, such as the domain name not exactly matching the supplier's company name.

Malware (Malicious Software)



Malware is a blanket term for malicious software designed to cause harm, such as ransomware, viruses, spyware and trojans. Malware can:

-  steal or lock the files on your device
-  steal your bank or credit card numbers
-  steal your usernames and passwords
-  take control of or spy on your computer.

Your device can be infected by malware in many ways, including:

- visiting websites that have been infected by malware
- downloading infected files or software from the internet
- opening infected email attachments.



Malware (such as ransomware) can also spread to other devices on your network.

While anti-virus or security software can help protect you from malware, no software is 100% effective. Staff must be vigilant with emails, websites, and file downloads and regularly update their devices to stay secure.

As a general starting point for small/medium businesses, we recommend the following:

- Turn on multi-factor authentication to add an additional layer of security (starting with your most important accounts).
- Use a password manager to create and store unique passwords or passphrases for each important account (such as banking, emails, etc.).
- Limit the use of shared accounts and secure any that are used in your business.
- Create a plan or procedure for backing up your business regularly.
- Determine a plan for how cyber security awareness will be taught in your business.

Think that your business may have been involved in a scam or want more information? The ACCC Scamwatch is Australia's leading agency for scams — report scams to the ACCC via the Scamwatch Report a scam page. Your report helps to monitor trends and warn people about current circulating scams.

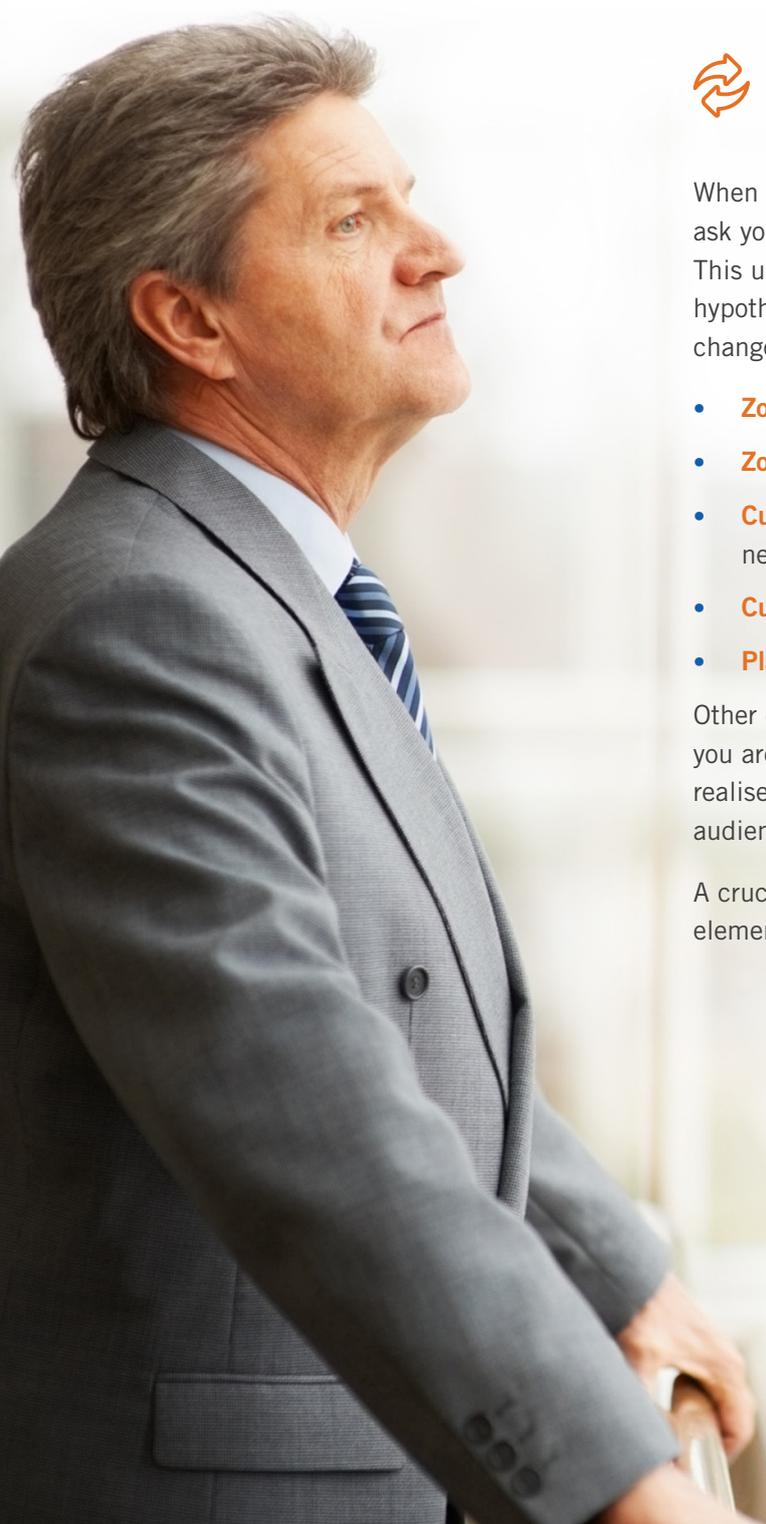


Pivot, Perish Or Persevere?

When your business is going through the startup process, it can be a fast-paced and chaotic time. During these early stages, a startup business must be adaptable and willing to change quickly to survive.

This may involve adopting a 'pivot, persevere or perish' approach.

Be prepared to make the call on which is the most appropriate approach when you hit a hurdle or when progress starts to stagnate. Sometimes pivoting may not be helpful - gritting your teeth and persevering or scrapping it altogether (perish) could be better. This is the time to re-evaluate your approach and consider changing direction.



Pivot

When considering a pivot, you need to be highly objective and ask yourself what changes you need to make to move forward. This usually requires a change in course as you plan to test a new hypothesis about your product or service. It's not a tiny, incremental change either – it's a complete shift. Below are five ways to pivot:

- **Zoom In** – when a single feature becomes the whole product
- **Zoom Out** – when the whole product becomes a single feature
- **Customer Segment** – repositioning or developing a completely new product
- **Customer Need** – good product, wrong customer segment
- **Platform** – change an application to a platform or vice versa

Other considerations might be to do with the technology or channels you are using to deliver your product or service. Maybe you've realised that you're catering your product or business to the wrong audience, or you're not entirely solving their problem.

A crucial part of the pivoting process is also about recognising what elements of your business are and aren't working.

Persevere



The approach that prioritises Persevering means continuing with the original plan or intention but with a few adjustments made. Is there a new or different assumption you need to test? Are there more channels you can expand to? Do you need to reframe your business?

If something isn't broken, there's no need to fix it - however, make sure you remain open to changes and adaptations and listen to your audience as much as possible.

Perish

In the perish approach, it is decided what will be abandoned from the product. This is when you eliminate something that is no longer serving your needs or working as you had intended it to.

It could be that you've discovered there is not the product market fit that you thought there was or that it's just not a good fit anymore with your changing business goals. Perhaps another competitor has emerged doing the same thing but creating more value quicker.

When you decide to perish, you decide to cut your losses and move on to the next thing. You gave it a go and tried it, but it didn't work – so you move on quickly!

It's a good idea to regularly check in with your team and ask these three fundamental questions – Should you pivot, persevere or perish? Get everyone's input (especially any feedback or data from your customers), weigh the pros and cons, and consider the implications and consequences of each scenario.



Always make informed, balanced and well-considered decisions – don't be impulsive or reactionary. Think of it as a chess game. Is it a good strategic move? Better yet, consulting with your business advisor could give you a much-needed tactical boost when initiating your start-up. Start that conversation today.



Recipient Created Tax Invoices

In business, the process of invoicing is essential to ensure that payment is received. That's why it is common for suppliers to issue tax invoices to recipients of their goods and services.

However, for some business models, it makes more sense for this process to be the other way around. This type of invoice is known as a recipient created tax invoice (RCTI).

The kinds of businesses that may be engaging in issuing RCTIs include:



Businesses who are dealing with individuals who do not understand or have the required knowledge to create the invoice (such as second-hand dealers of goods or vehicles)



Businesses who are dealing with individuals who do not know the amount they need to invoice for (such as commission salespeople, financial planners working under a company, mortgage broker aggregators).



ISSUING RCTIS

You can issue an RCTI if:

- you and the supplier are both registered for GST at the time the RCTI is issued
- you and the supplier agree in writing that you may issue an RCTI, and they will not issue a tax invoice
- the agreement is current and effective when you issue the RCTI
- the Commissioner has determined that the type of goods or services sold under the agreement can be invoiced using an RCTI.

You also need to ensure that you have robust and fit-for-purpose controls in place that will help you continue to meet the requirements to issue RCTIs.

To be valid, an RCTI must contain enough information to determine the requirements of tax invoices and show the document is intended to be a recipient-created tax invoice, not a standard tax invoice. It must also show the suppliers and purchasers' ABN. If GST is payable, it must also show that it's payable by the supplier.

As the recipient, you must:

- issue the original or a copy of your RCTI to the supplier within 28 days of one of the following dates:
 - ◇ date of the sale
 - ◇ date the value of the sale is determined by you
- retain the original or a copy of the RCTI
- reasonably comply with your obligations under the tax laws.
- stop issuing RCTIs if any of the requirements for issuing RCTIs are no longer met.

Common Legal Issues For Small Businesses

Inadvertent breaches of the many laws surrounding small businesses can cost thousands. Knowing what your business may face in terms of legal issues can help to take the right measures to minimise risk and mitigate these potential breaches.



INCORRECT TAX DEDUCTIONS

Trying to handle your tax obligations without the aid of a qualified professional (such as an accountant or bookkeeper) can increase your risk of non-compliance and breaches. An easy way to minimise this risk is to research what your tax obligations will be before you register your business. It is a liability that should be accounted for in your business's budget, so hiring a professional tax adviser (while an expense to incur) can save your business in the long run.



LICENCES

In most industries, there will be a licence that your business will likely need to obtain before trade can legally commence. This is to ensure you have been adequately taught the laws relevant to the industry and that you know how to operate the necessary equipment. If you are not sure if you require a licence, you must check. Having the license is also a great selling point, and you can face heavy fines if you are caught trading without the right one.



INTELLECTUAL PROPERTY

Before commencing operations, it's important to properly check that ideas such as your business name, logo, and slogan aren't already out there. You can search online to see what trademarks have been registered. If there happens to be one similar or the same as what you had in mind, you risk getting into legal trouble for trademark infringement. The lesson here is to register your business's trademarks early because they will only become more valuable to your business as it grows.



EMPLOYMENT

If you have under 20 employees, you are classified as a small business under Australian law. It can be tempting to hire those employees on an informal basis, but this can lead to issues down the track (particularly with new changes to casual employment in the works).

It is recommended that all employees (even those covered by a Modern Award) should be formalised. An employment contract clarifying the terms of employment, conduct and grounds for termination can be an invaluable asset.

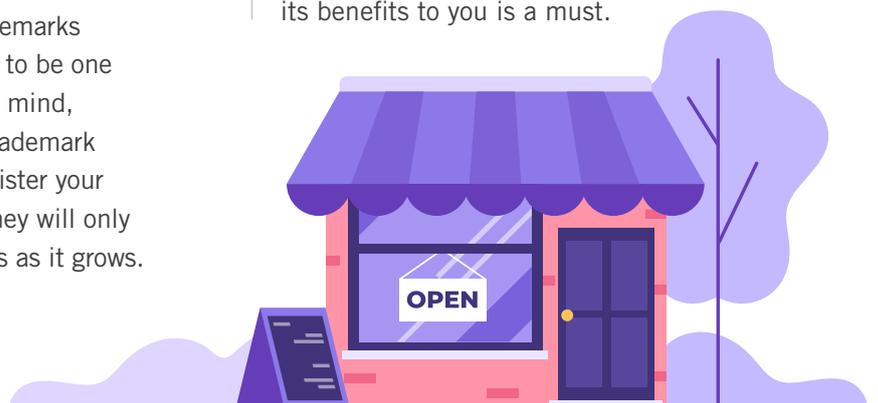
Further, having the right workplace policies will allow you to set out your office procedures. Legal issues for small businesses can arise in relation to an employee's use of social media, conduct or even if your employees smoke at work – so it's always wise to have documents that cover these.



CHOOSING A BUSINESS STRUCTURE

Deciding on what business structure is proper for you can be stressful whether it be a sole trader, partnership, company or trust. Each comes with its own set of tax and legal obligations.

The circumstances of your business can also change, causing you to shift structures as it grows bigger. If your business is growing, reflecting on your current business structure and its benefits to you is a must.



Changes To Flexible Work-From-Home Arrangements

Changes to flexible working arrangements have been in place since 6 June 2023. If you haven't done so already, now is the time to get acquainted with the new legislation (The Secure Jobs, Better Pay Act 2022 (Act)).

The legislation has updated the laws governing requests for flexible working arrangements and introduced new provisions that enable the Fair Work Commission to settle disputes related to such requests.

The Act enhances the existing rights to request flexible work arrangements as outlined in section 65(1A) of the Fair Work Act 2009 (Cth) by broadening the situations in which an employee can seek flexible arrangements.

This now includes cases where an employee, or someone from their immediate family or household, encounters “family and domestic violence”, as outlined in section 106B(2) of the Act.



Additionally, the Act incorporates a new section, 65A, mandating that an employer who receives a request for flexible work arrangements must:

- meet with the employee to discuss their request for flexible work; and
- if the employer plans to decline the flexible work request, either reach a mutual agreement on alternative changes to the employee's working arrangements and record the agreed-upon changes in the employer's written response; or
- should the employer still intend to refuse the request, specify the reasonable business grounds for the refusal and address the following:



- ◇ possible adjustments to the employee's working conditions that could accommodate (to a certain extent) the employee's situation and that the employer is willing to make; or
- ◇ that the employer is unable to implement such adjustments to accommodate the employee's circumstances.

The Act introduces a dispute resolution mechanism for situations where an employer has:

1

denied a flexible work request; or



3

the parties cannot resolve the dispute through discussions at the workplace level.

2

failed to provide a written response to a flexible request within 21 days; and

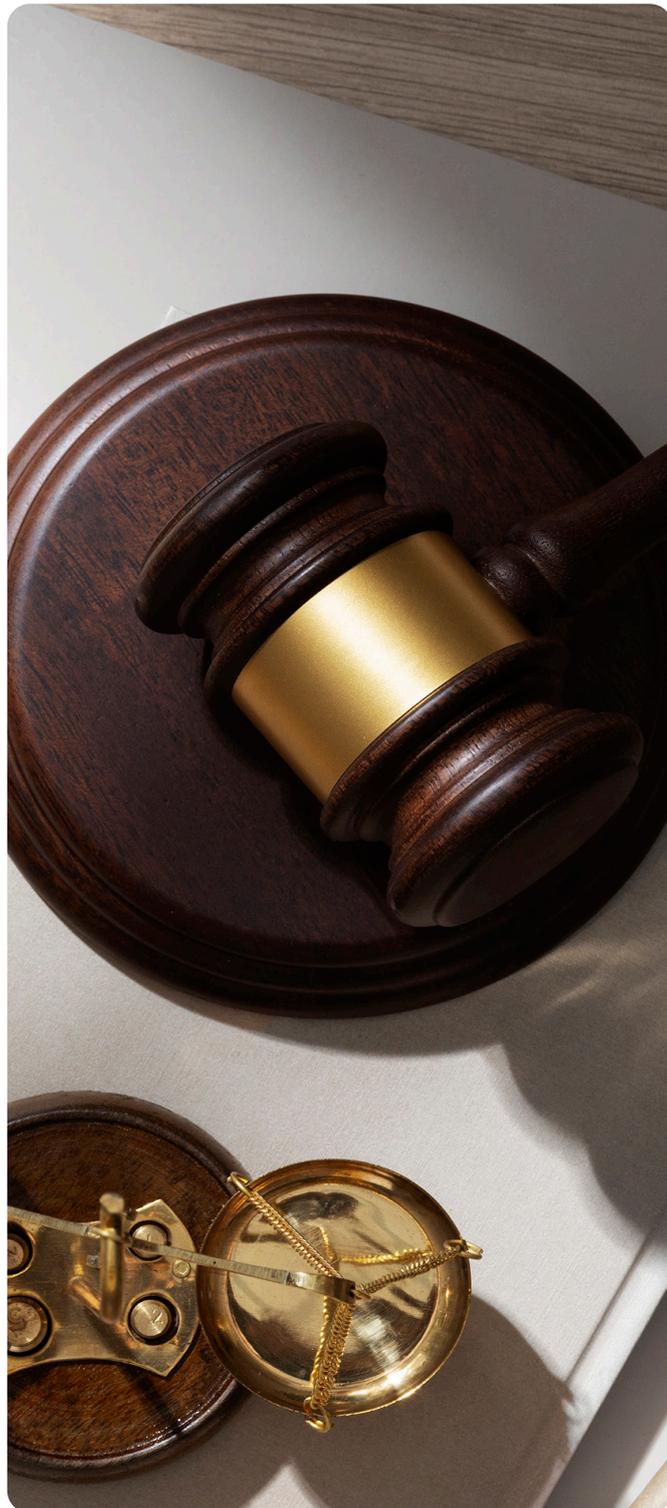


Employers should ensure they are in compliance with the new conditions by:

- updating their approach to assessing and responding to employees' flexible work requests to incorporate the requirements to:
 - ◇ meet with the employee and discuss their request; and
 - ◇ inform the employee of any changes to working arrangements the employer is willing to consider to accommodate their situation.
 - assessing any barriers to their ability to provide flexible working arrangements to employees (considering the nature of the business) and the potential evidence needed to demonstrate these barriers.
-

A Brief Summary Of The Secure Jobs, Better Pay Act 2022

The Fair Work Legislation Amendment (Secure Jobs Better Pay) Act 2022 received Royal Assent on 6 December, 2022.



It amends the following laws:

- Fair Work Act 2009
- Fair Work (Registered Organisations) Act 2009
- Fair Work (Transitional Provisions and Consequential Amendments) Act 2009

From 6 June 2023, Australian workplaces must adapt to new multi-employer bargaining rules, revised flexible working provisions, and modifications to pay secrecy clauses as part of The Secure Jobs, Better Pay Act 2022 (Act).

This stage of amendments for the Act sets out the following:



- **Expansion of multi-employer bargaining:** The recently named cooperative workplaces bargaining stream will facilitate multiple workplaces to consolidate under a single agreement.
- **Changes to the Better Off Overall Test (BOOT):** The BOOT, which gauges if workers will benefit from better conditions under a new enterprise agreement compared to an underlying modern award, will be revised for enterprise agreements made on or after June 6.
- **Flexible working arrangements:** Enhancements to the Fair Work Act will broaden and strengthen access to flexible work arrangements for long-term workers.
- **'Zombie' agreements:** To modernise working conditions, 'zombie' agreements — outdated workplace agreements initiated before 2010 — will automatically terminate on December 7 2023.
- **Pay secrecy rules:** The Secure Jobs, Better Pay Act will curb pay secrecy clauses that prevent employees from discussing their wages with others.