

ON THE MONEY

An update from Bayside Business Accountants



Our first newsletter for 2012 covers how to avoid your business failure. Also, we look at the ATO pursuing employers who are not paying staff superannuation.

Business failure is preventable

It is very easy to point the finger at the economy when trying to explain why so many businesses fail in Australia, however, the external administrator reports supplied to ASIC suggest much of the failure is self-inflicted.



Poor financial control including a lack of records and 'poor strategic management of business' were deemed most likely to be the cause of business failure. While the data relates to the 2009/10 financial year when economic conditions (especially in retail) were slightly better, an examination of annual ASIC data for the financial years 2005 to 2010 highlight some disturbing trends regarding the causes of business failure in this country.

Firstly, poor financial control has risen from being a factor in about 30 per cent of all external administrator reports to 33 per cent in 2010. Poor strategic management is easily the highest cause of business failure, featuring in about 43 per cent of all external administrator reports and this figure has remained fairly constant over the past few years. Inadequate cash flow or high cash use also ranks high while poor economic conditions is clearly a factor rising from a cause in 11 per cent of cases in 2004 to 26 per cent in 2010.

The message from this analysis is clear. If you want to avoid business failure you need to focus on strategy first and make sure you implement strong financial controls including maintaining accurate and up to date records. Cash flow obviously needs to be carefully monitored and while this advice is not rocket science, we know that far too many small business owners don't have a detailed business plan. They also keep poor accounting records, in some cases use the wrong accounting software and generally have inadequate cash flow controls.

These trends also serve as a timely reminder for anyone contemplating starting a business. You need the basics including strategic management, the right accounting software and good record keeping to survive and prosper. Starting a business is a bit like

a game of chess and to succeed you need to make the right opening moves and that entails having a business plan that incorporates a marketing plan together with cashflow forecasts that include your best and worst case scenarios.

As accountants our role includes mentoring you through the various stages of your business life cycle, from start up to sale. We will advise you on the most appropriate tax structure for your business taking into account income tax considerations, asset protection and future discount capital gains tax concessions. It all starts with the right advice. Please don't hesitate to call us today to discuss your business and financial needs.

ATO Crackdown on Unpaid Superannuation

The Australian Taxation Office has revealed it receives around 18,000 complaints a year about employers failing to pay staff superannuation. Approximately 70% of the complaints relate to 'micro' businesses that turn over less than \$2 million a year.

Last year the ATO pursued 10,000 cases involving micro employers failing to pay superannuation, reclaiming \$152 million as a result. This year, they expect to handle 12,500 complaints and despite the difficult economic conditions (particularly in the retail and manufacturing sectors) employers are urged not to fall behind on employee superannuation payments due to the heavy penalties and proposed new laws.



Businesses that fail to pay employees superannuation guarantee contributions within 28 days of the end of a quarter will incur interest penalties on the missed payments as well as an administration fee. Failure to meet your employer super obligations also means you have to lodge a Superannuation Guarantee Statement each quarter and remit the payments directly to the ATO. The amount due will include the super guarantee shortfall amounts plus interest at 10% per annum and an administration fee of \$20 per employee per quarter. Your business also forfeits the tax deduction it would normally get because late super contributions and the super guarantee charge are not tax deductible.

The price of non-compliance could soon be even greater, with the Government intending to push ahead with proposed laws that make Directors personally liable for a Company's unpaid superannuation. Of course, this information was issued at a time when the Australian dollar is above parity and consumer confidence is low. In fact, 2589 companies entered administration in the December 2011 quarter, an increase of 8% on the previous year. Superannuation guarantee defaults are a symptom of a bigger problem and we urge you to contact us if you are struggling to meet your superannuation obligations.

Get a FREE 30-minute consultation



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