CONDON ASSOCIATES GROUP

REVIVE

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RIGHTS TO OWNERSHIP: HARD TO CREATE, SO EASY TO LOSE

By Schon G Condon RFD

It has been quite interesting to see the reaction that has erupted over the sudden expose of the fact that people with good noses, strong technical skills, a serious purpose and the opportunity to make a dollar will use whatever they can get to their own personal advantage and nobody cares; until they undermine the system that others thought they controlled. Mind you we're not talking about the economic system, but the political system! The minute that it was realised that someone had been using readily available, but voluminous, information to then influence how people may act came as an amazing surprise. The reaction has been substantial and is being viewed and assessed by many well beyond those that were directly involved in the currently known uses.

Man communicated for a long time by word of mouth and then by paintings, pictures and ultimately words; originally scribed on cave walls, the earliest of which date back to 38,000BC. It was then many years later that it moved onto parchments and then ultimately books. The advent of communicating over great distances was not to start until the 19th Century (some 40,000 years later)… but then, we did suddenly see things begin to move far more rapidly.

In 1844 the first Morse Code was telegraphed between two cities and essentially the Telegram was invented, then 1876 saw the advent of the Telephone, Radio was introduced in 1900/1901 depending on which book you read, then Television in 1925, Telex in 1933 and finally Facsimiles become commercially practical in 1964 but did not really take off until the 1980's. One hundred and forty years as opposed to forty thousand. The main notable point of all of these is that they were seen by all, including their inventors, as a means of communication; to be used to extract profit certainly, but primarily as a means of communication, getting a message, regardless of content from one place to another quickly.

Nowhere was it ever really conceived that the title to the message being sent would transfer from the sender to transporter, let alone saved, stored and retained to be used by the transporter for theirs or potentially others own benefit.

After the 1980's technology and ability sped up and we now have the internet and the communication systems of today that we all use. During this period however there have been a number of internet based products that have provided "new ways" of communicating with colleagues, friends and family, as well as the community as a whole and

they were quickly grasped by all with the same trust and faith that our then century old technology had already been accepted. Yes you clicked on the 'Agree Terms and Conditions' button, but every one believed *"it's the same as anything else … wasn't it?"*

Alas no, in these agreements the owner/developers saw the huge potential value in the future retention, consolidation, and analysis of data that could be used for all forms of commercial advantage, from simply acquiring a valuable piece of video (try selling something to the news after you've already put it up on social media), right through to knowing more about you than your partner and being able to manipulate your decision making by what is actually fed to you…personally. Yes it only started by doing you a favour by telling you about things that you need to know, but it only had to be time before we got to a point that the influence would move well beyond that level.

This is no longer just a personal thing it's also a business thing. How is your business being impacted? How are your staff being impacted? Who is trying to send what message? Are they the right (i.e. correct, truthful) messages, or to use the new buzz word is it 'fake news' that someone wants to influence your business with.

This could have easily been better managed had there been greater regulatory effort put in when it was really needed, i.e. at the start, but at least now as a result of this new necessity that attention may well finally be achieved. Let's hope so anyway.

What is amazing though is the perception that this is a new issue, in reality it's not. Find me a movie before 1970 where the majority of the cast did not smoke, or one that truly gave women the lead; think what was the woman's role in the typical American family of the 1950's? The difference was that these messages were communal, and needed much repletion to achieve their aim, but they did work. Today the message is more targeted and therefore more effective; and it is quite possible that you may not realise you are receiving it because the person next to you sees something different and thus corrective conversation and debate may well not follow. We are all a product of what we consume.

If the subliminal message of the *'B Grade westerns'* of years gone by was that everything could be resolved with a gun and that is why we see the plethora of shootings today, then one can only dream about where we might all be tomorrow.

Well it's something to think about at least.

THE COMPANY'S BANK ACCOUNT IS NOT YOURS

By Gerard Walz

It belongs to the staff, it belongs to the creditors, it belongs to the Government, it belongs to lenders and it belongs to the customers. You as the business owner and director and guiding light are only its custodian.

(In the interests of readability and space, hereafter, references to "he/his" are to be read as inferring multi-gender references and are not intended or construed to be in any way, shape or form, gender discriminatory.)

Too too often a business owner sees the bank account of the business he has established with his own flesh, blood, sweat and capital as "his".

It isn't. What is "his", is what is left over after the staff have been paid (including superannuation contributions), the creditors terms met, the PAYG-W, the GST, the PAYG and the payroll tax liabilities have been met, the lenders repaid, all from the receipts of the customers.

From the off-side of the pitch, if there isn't money to meet the creditors terms there are no materials for the staff to use to produce, sell, deliver and account for what the business produces – goods and/or services, tangible or intangible. If there isn't money to pay the staff there is no-one to produce what the business produces, there is no-one to sell what the business produces, let alone deliver what the business produces. Last but by no means least (in our minds anyway) there will be no-one to account for what the business produces – goods and/or services, tangible or intangible.

If there isn't money to meet the obligations to pay any or all of the myriad of taxes, then Governments can take away everything he, the business owner, has worked for.

If there isn't money to meet the obligations to repay the good folk who loaned him money to help him achieve his dream of being the business owner and director and guiding light then those good folk, too, can take away everything he has worked for, usually after the Governments have had a meal.

It goes without saying, but I will, from the on-side of the pitch, without cash to enable the business to produce its goods and/or services tangible or intangible, customers won't be able to buy what the business produces which means the bank account will be empty which means no money to pay the non-existent staff, the creditors, the Governments and the good folk lenders, a business version of the infamous Catch 22.

If there isn't money to pay the staff, the creditors, the Governments and the lenders then the business owner and director and guiding light gets to share in nothing as well, so it is in the business owner and director and guiding light's interest to manage the business's, not "his", cash-flow.

He needs to know certain KPIs – not just concocted ratios but in terms of cold hard dollars (cents are getting more and more irrelevant). The dollar value and aging of debtors and creditors, the dollar value of the business customer pipeline are just a few.

The business owner needs, no, must have, systems to be in place, hard and soft, that can report simply and quickly to provide useful KPIs.

He needs to see indicators of cost changes, both up and down, via simple exception or variance reports. How much has the payroll varied this week/month to last week/month? Which staff members have more than the statutory leave owing? Are major suppliers' payment terms up to date to ensure no delivery of raw material issues? With a bit of thought a list of useful KPIs can be constructed.

Are your systems, hard and soft up to helping you?

Of course, help is at hand – EBIT Management Services can review your business, can help you with KPIs and help you with reporting and planning.

I'm off to coach cricket.

Ka-ching – Cash is King

PROPOSED CHANGES TO GST WITHHOLDING ON NEW RESIDENTIAL PREMISES, WHO IS MAINLY AFFECTED BY CHANGES?

By Muna Laloo

Once the Treasury Laws Amendment (2017 Measures No. 9) Bill 2017 has been enacted, the responsibility for paying GST on certain real estate transactions will shift from developers to purchasers. From 1 July 2018, purchasers of new residential premises or land within a subdivision in Australia may need to remit part of the purchase price directly to the ATO. This shift will require purchasers to withhold that part of the purchase price representing the GST liability of the developer and remit the withheld amount directly to the Australian Tax Office ('ATO').

The GST withholding regime will utilise new and existing withholding tax provisions in the Taxation Administration Act 1953 (Cth) and impose obligations on both purchasers and vendors.

Currently, the purchase price paid to developers includes an amount of GST. Developers are required to pay the GST they collect to the ATO as part of their Business Activity Statement at the end of each of their applicable reporting periods.

Operation and Compliance

From 1 July 2018:

- Developers must issue a notice to withhold 14 days prior to settlement. Penalties will apply for failure to issue a notice.
- Purchasers will be required to pay the GST amount to the Commissioner on or before the day the purchase price is paid. Withholding will be 1/11th of the contract price or 7% of the contract price where the margin scheme applies.
- The developer will report the actual GST amount through their Business Activity Statement (BAS) and will be entitled to a credit for the amount paid to the Commissioner by the purchaser, and a refund if it exceeds the actual GST liability.
- If the developer remits quarterly or annually and makes a supply under the margin scheme, refunds for any excess withholding can be made before the BAS is lodged.
- Purchaser can provide vendor with a bank cheque made out to the Commissioner for the GST withholding amount.

The Aim

These changes, originally proposed in the 2017-2018 Federal Budget, have been introduced to address the growing trend of developers collecting GST as part of the property purchase price, and then taking steps to dissolve the company prior to remitting the GST collected, effectively avoiding paying the GST collected to the ATO. Also, to prevent developers who build dwellings claims the indirect tax concession scheme (ITCS), sell dwellings and then disappear before paying GST to the ATO. The stated aim is to "strengthen compliance" with the GST law pursuant to the previous announcement in the 2017-18 Budget as the Government is concerned some developers are failing to remit GST on the sale of new residential premises. Adding to this, the upfront GST revenue-flow is a benefit for the Government.

Impact and Consequences

Under contracts for affected transactions dated on or after 1 July 2018 will have impacts mainly on developers as detailed below:

- Developers will be required to serve a withholding notice on purchasers. Failure to serve such notice is a strict liability offence.
- Developers will lose the utility of the GST funds following the changes, financiers are likely to increase pre-sale requirements to make up for the reduced amount being received by the developer at completion that could otherwise be used to repay obligations secured against the development property. The loss of utility of the GST funds will have implications for the cash flow of developers. For example, if the parties elect to use the margin scheme, the amount required to be paid by the purchaser will be greater than the actual GST liability of the developer, and the developer will be required to wait until the end of the reporting period to receive a refund.
- Developers should seek legal advice to ensure contracts for residential premises (including existing residential premises, new residential premises and potential residential land) are properly drafted or amended to comply with the changes proposed by the Bill.

The government has stated that purchasers should experience only "minimal impact" from the change in law, however this new obligation imposed on purchasers will increase the complexity and risk of buying and financing new property so unfortunately it is likely that the purchasers' costs will also increase.

IS YOUR BUSINESS'S TAX DEBT UNDER CONTROL?

By Jessica Lin

As originally proposed in the 2016-17 Mid-Year Economic and Fiscal Outlook, the Federal Government has released draft legislation that would allow the Australian Taxation Office (ATO) to disclose overdue tax debts to credit reporting agencies, when certain conditions are met. Public consultation on the bill and the explanatory memorandum for the bill took place from December 2017 and February 2018. It is anticipated that the draft legislation be tabled in Parliament during March 2018.

The draft legislation aims to:

- Foster a debt-transparency driven culture and enable better informed decision making in the business community by enabling businesses and suppliers to see if a business is paying their tax debts on time. Per explanatory memorandum for the bill, this will allow credit providers to "make a more complete assessment of the credit worthiness of a business" when they consider extending payment terms.
- Create a level playing field by deterring businesses who do not pay their taxes on time from gaining an unfair advantage over businesses who do comply with their tax obligations.
- Encourage businesses with cash flow or insolvency issues to proactively engage with the ATO to manage their tax debts. Where a business is unable to make full payment of a tax debt and an agreed upon payment arrangement has been entered into with the ATO, they will not be subject to the credit reporting obligation.

Businesses that do not actively work with the ATO to meet their tax obligations or intentionally do not pay their tax on time will be penalised by publishing their tax affairs to credit reporting agencies.

The ATO will have the discretion to disclose overdue tax debts to credit reporting agencies where a business meets all the following criteria:

- Has an Australian Business Number (ABN) and is not an excluded entity. Some examples of excluded entities include deductible gift recipients, not for profit organisations and charities.
- Owes a tax debt to the ATO, of which at least $10,000 has been overdue for more than 90 days. Tax debt includes Business Activity Statement (BAS), Income Tax (IT), Superannuation, Fringe Benefits Tax (FBT), penalties and interest. The total overdue tax debt will be reported.
- Are not effectively engaging with the ATO in managing their tax debt to the ATO. Some examples of proactive engagement with the ATO to manage tax debt include meeting the terms of an agreed-upon payment arrangement and formally lodging a dispute with the ATO.

A number of other criteria would have to be satisfied before the ATO discloses a business's outstanding tax debt to credit reporting agencies, including giving written notice to the business 21 days in advance advising that their information would be forwarded to credit reporting agencies if they do not respond.

A business's unpaid tax debts, once disclosed to credit reporting agencies, will remain on a commercial credit rating file for five years. Payment of the tax debt once it is on a commercial credit rating file will not remove the default. A default will make it more difficult for a business to access funding from lenders.

Given that draft legislation to improve the transparency of tax debts is expected to become law soon, it is vital for businesses to discuss tax debt payment concerns with the ATO as soon as they arise, otherwise the ATO will take more serious action that will affect the running of a business.

YOUR SALES FIGURES NOT LOOKING NORTH? (Part 1)

By Martin Scarpino

Most sales teams, up to 90%, are not performing at their possible best. The reason for unsatisfactory sales performance is often a combination of missing items in the puzzle. While some individuals are running at 120% of capacity, some people don't even understand the products or tools available, and in many cases they come short in understanding the basics of selling their very own products. While nearly all sales people would confirm they are driven to achieve or exceed their budget, reality shows many fail on a regular basis. Success is a combination of understanding the targets, proper use of tools and comprehensive training. Many employees have little appreciation for tools and last but not least have not really been given any complementary training.

Let's have a look at the Targets first

I TARGETS

A) Unrealistic targets

Often managers, supervisors or business owners simply don't understand how to set realistic targets for their sales teams in terms of numbers, territories, products and customers. Targets need to be in line with the business needs. In many cases application support, product management, customer service and the service department are not an integral part of the sales process. Coherence is missing. With this lack of structure, the setting of targets is simply driven by ambitions which are neither realistic, nor achievable. If there is no teamwork the team can't grow and benefit from each other.

B) Soft targets vs hard targets (KPI's)

Which targets or KPI's are critical and the right ones? It's not so much a question of what kind of targets (soft or hard) you choose for your teams, it's more a question of "are they the right targets?" and "can they be achieved?" More importantly "can they be measured?" If so, even stretched targets (beyond budgets) will be the focus of an employee. If targets are unclear, blurred by conditions and/or connected to activities which are not in the job description or in the area of responsibility of an employee, there is a 95% chance that the target by the end of the period set, will be missed.

C) Target setting

Target setting is a delicate matter for anyone involved in this task. However the most important part of target setting is that the payouts that can be earned reward the achiever! These payouts are the drivers. Mediocre results and achievements must be analyzed and commented, what went wrong and how the shortcomings can be avoided in the future. Excellent results must be celebrated.

You must understand, any targets you set, must be clearly discussed with the employee to leave no doubt about the details set and therefore puts the expectations of all stakeholders at the right level. But before you discuss these figures, have you as the target setting individual, fully understood how the numbers are coming together?

a) Do you know the workflow, the processes and the strategy in your organization well enough to understand the impact of the targets set?
b) Is this target setting in sync with the strategy and the long term (3 to 5 years) business plan?
c) Are you sure you can afford these incentives?
d) How many targets are you setting for each employee?
e) Are they well balanced? Capped? Min/Max settings? Contradictory?
f) Is the scheme a driver to exceed the budgets? Or is it just to make budget?

These are some of the questions you need to ask yourself.

Last but not least don't forget to ask yourself, are these schemes beneficial to the business and to the morale of the collective staff?

In our next edition of REVIVE we will look at the tools and the training topics.

Summary

EBIT Management Service Pty Ltd as part of Condon Associates Group, helps companies to transform their sales and service departments into revenue engines before it's too late. We have a team of highly qualified and experienced sales, marketing and finance experts, who can help to provide you with solutions to turn around your business.

CONDON IN THE COMMUNITY

On Friday 9th March the drums were beating on Condon Associates office balcony and all for a very good cause. A wonderful lady named Ruth Magodo is raising funds to send young adults to Africa in hope that they will appreciate how lucky they are to call Australia home. At the last minute Ruth was informed that the venue she had booked for the event was unavailable to her, Schon Condon very kindly offered the balcony to her and with very short notice the staff managed to pull together an event to be proud of. Much fun was had by all with singing, dancing and lots of laughing. Raffles and Auctions raised much needed funds for the trip and if you would like to donate please contact Ruth at ruthp.rpf@gmail.com for more information on the project please check out https://youtu.be/-k6oEbAh1jA

Upcoming Events

14 May 2018	-	Parramatta Accountants Discussion Group
May 2018	-	Condon Forum
September 2018	-	Condon Associates Group Charity Golf Day

Would you like to present or join any of our discussion groups? We meet on a Monthly basis for an informative presentation and engaging discussion over an enjoyable lunch.

For more information please contact Angela on 02 9893 9499 or email padg@condon.com.au

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