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HLB MANN JUDD
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STRATEGIES TO BOOST YOUR BUSINESS'S RESILIENCE

Resilience isn't just advantageous in business - it's imperative.

From economic shifts to environmental hazards and global crises, businesses encounter many obstacles that can jeopardise their survival. Yet, armed with practical strategies, businesses can withstand these challenges and emerge stronger and more resilient.

Diversify revenue streams

Relying too heavily on a single source of income can leave businesses vulnerable to sudden disruptions. To enhance resilience, businesses should diversify their revenue streams by expanding into new markets, offering additional products or services, or tapping into alternative revenue sources such as subscriptions, memberships, or licensing agreements. By spreading risk across multiple income streams, businesses can better withstand downturns in any one area.

Invest in technology and innovation

Embracing technology and innovation is essential for staying competitive and resilient in today's digital age. Businesses should invest in cutting-edge technologies, digital tools, and automation solutions to streamline operations, improve efficiency, and enhance customer experiences. Embracing innovation also means fostering a culture of creativity and adaptability within the organisation, encouraging employees to experiment, iterate, and explore new ideas.

Strengthen supply chain resilience

Disruptions to the supply chain can have far-reaching consequences for businesses, particularly in industries reliant on global trade and logistics. To bolster resilience, businesses should diversify suppliers, establish redundant supply chains, and build strategic partnerships with reliable vendors. Investing in technology and data analytics can also help businesses anticipate and mitigate supply chain risks, enabling faster responses to disruptions.

Prioritise financial stability

Maintaining financial stability is crucial for business resilience, especially during times of uncertainty.

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Businesses should focus on building cash reserves, managing debt levels, and maintaining healthy profit margins to weather economic downturns or unexpected expenses. Implementing robust financial planning and risk management practices can help businesses identify potential challenges early and proactively mitigate financial risks.

Foster a resilient company culture

A resilient company culture is characterised by adaptability, collaboration, and a shared commitment to overcoming challenges. Businesses should prioritise employee well-being, communication, and transparency, fostering a supportive work environment where employees feel empowered to voice concerns and contribute ideas. Investing in employee training and development can also enhance skills and capabilities, equipping teams to confidently navigate change and uncertainty.

Develop a crisis management plan

Preparation is key to resilience in the face of unexpected crises or emergencies. Businesses should develop comprehensive crisis management plans that outline procedures for responding to various scenarios, including natural disasters, cyberattacks, or public health emergencies.

These plans should be regularly reviewed and updated to ensure they remain relevant and effective in addressing emerging threats.

Build strong customer relationships

Customers are the lifeblood of any business, and nurturing strong relationships can enhance resilience in times of crisis.

Businesses should prioritise customer satisfaction, responsiveness, and communication, seeking feedback and actively addressing concerns to maintain loyalty and trust. Leveraging digital channels and social media platforms can facilitate ongoing customer engagement and connection, even during challenging times.

BE AWARE: CHANGES TO PAYG FROM 1 JULY

Significant changes are coming to your Pay As You Go (PAYG) withholding cycle, effective 1 July 2024.

The Australian Taxation Office (ATO) regularly reviews PAYG withholding cycles based on businesses' annual withholding amounts. Your reporting and payment obligations may be subject to adjustments depending on your withholding activity.

Your new withholding reporting and payment cycle will be based on the amount you withheld and reported under your Australian Business Number (ABN) in all branches in 2022-23.

You will transition to a monthly reporting and payment cycle if your business falls within the medium withholder category (withholding between $25,001 and $1 million).

This entails monthly reporting your PAYG withholding amounts on your activity statement and ensuring timely payments by the due date.

For clients classified as large withholders (those withholding over $1 million), the ATO will issue a new Payment Reference Number (PRN) for payment on set dates.

It's important to note that large withholders are exempt from reporting PAYG withholding on their activity statements but are still required to reconcile reported Single Touch Payroll (STP) amounts with paid amounts.

To ensure a smooth transition to the new withholding reporting and payment cycle, it is recommended that your payroll software be updated before 1st July. This will ensure alignment with the revised due dates and compliance with ATO requirements.

If you anticipate a decrease in your 2024-25 PAYG withholding amount below the relevant threshold and wish to retain your current withholding cycle, you can request to do so.

Simply complete and submit to the ATO the Request to Review ATO Initiated PAYG Withholding Cycle Change form within 21 days of receiving the ATO's notification letter. Provide the reason for your request. This should include your change in circumstances and the estimated amount you expect to withhold in 2024-25.

WHAT IS BUSINESS STRESS TESTING?

Businesses face many risks that can disrupt operations, impact financial stability, and challenge growth trajectories.

From economic downturns and market volatility to regulatory changes and natural disasters, the ability to anticipate, withstand, and recover from adverse events is crucial for long-term success. This is where the concept of business stress testing comes into play.

What is business stress testing?

Business stress testing is a strategic tool organisations use to evaluate their resilience against various hypothetical scenarios or stressors. These stressors could encompass various adverse conditions, including financial crises, supply chain disruptions, geopolitical tensions, technological failures, and pandemics.

By subjecting their operations, finances, and strategies to simulated stress scenarios, companies can identify vulnerabilities, assess the potential impact of adverse events, and develop proactive measures to mitigate risks.

Key components of business stress testing

Scenario development: Stress testing begins with formulating hypothetical scenarios that represent potential threats to the business. These scenarios should be plausible yet severe enough to adequately test the organisation's resilience. For example, a financial institution may simulate a sharp economic downturn, a spike in loan defaults, and interest rate volatility.

Data analysis: Once scenarios are defined, businesses analyse their historical and current data to understand how each stress scenario would affect their operations, finances, and performance metrics. This analysis often involves complex quantitative modelling techniques to simulate the impact on revenue, cash flow, profitability, liquidity, and other vital indicators.

Risk identification: Stress testing helps businesses identify and prioritise risks across different areas of their operations. By quantifying the potential impact of various stressors, organisations can pinpoint areas of weakness that require attention. Common risk areas include credit, market, liquidity, operational, and strategic risks.

Capital adequacy assessment: Stress testing is critical for financial institutions to assess capital adequacy and regulatory compliance. Regulatory authorities such as central banks and financial regulators often mandate stress testing as part of their supervision framework to ensure that banks maintain sufficient capital buffers to withstand adverse shocks.

Scenario planning: Armed with insights from stress testing, businesses can develop robust contingency plans and risk mitigation strategies to enhance their resilience. These strategies may involve adjusting business processes, optimising resource allocation, diversifying suppliers, revising financial policies, and enhancing crisis response mechanisms.

Benefits of business stress testing

Enhanced risk management: Stress testing enables businesses to proactively identify and manage risks, reducing the likelihood of financial losses and operational disruptions.

Improved decision-making: By evaluating the potential impact of adverse scenarios on key performance metrics, businesses can make more informed strategic decisions and allocate resources more effectively.

Regulatory compliance: For regulated industries such as banking and finance, stress testing is often a regulatory requirement to assess capital adequacy and ensure financial stability.

Stakeholder confidence: Demonstrating a robust stress testing framework can enhance stakeholders' confidence in the organisation's ability to navigate uncertainties and safeguard their interests.

Competitive advantage: Businesses that effectively manage risks and demonstrate resilience are better positioned to outperform competitors, attract investors, and build long-term value.

Challenges and considerations

While business stress testing offers numerous benefits, it also poses several challenges and considerations:

Data limitations: Obtaining accurate and relevant data for stress testing can be challenging, particularly for scenarios involving rare or unprecedented events.

Model uncertainty: Stress testing models are inherently based on assumptions and simplifications, leading to uncertainties in the results. Businesses must regularly validate and refine their models to improve accuracy.

Integration with risk management frameworks: Integrating stress testing into existing risk management frameworks requires careful coordination across different departments and organisational functions.

Resource intensiveness: Conducting comprehensive stress testing exercises can be resource-intensive regarding time, expertise, and technology infrastructure.

Dynamic nature of risks: Businesses' risks and stressors constantly evolve, necessitating regular review and updating of stress testing scenarios and methodologies.

In an era of unprecedented uncertainty and volatility, business stress testing has emerged as a vital tool for enhancing resilience and fortifying against unforeseen challenges.

By systematically evaluating their ability to withstand adverse scenarios, organisations can identify vulnerabilities, strengthen risk management practices, and build a foundation for sustainable growth and success.

As businesses navigate turbulent waters, robust stress testing frameworks must be balanced in safeguarding against the unexpected and securing a prosperous future.

> "Business stress testing is a strategic tool organisations use to evaluate their resilience against various hypothetical scenarios or stressors."

CLOSING THE LOOPHOLES ACTS: THE AMENDMENTS TO WORKPLACE LAW YOU NEED TO KNOW

With the enactment of the *Fair Work Legislation Amendment (Closing Loopholes) Act 2023* and the subsequent *Fair Work Legislation Amendment (Closing Loopholes No. 2) Act 2024*, a series of reforms have been introduced to address various loopholes and shortcomings in existing legislation.

These changes, which will gradually take effect between 2023 and 2025, touch upon crucial aspects of employment relations and workplace rights. They aim to protect workers' interests while promoting a conducive environment for thriving businesses.

Key amendments introduced

Rules for labour hire workers

The amendments provide clearer guidelines and protections for labour- hire workers, ensuring they receive fair treatment and entitlements comparable to those of their directly employed counterparts.

Criminalising intentional wage underpayments

Introducing criminal penalties for intentional wage underpayments underscores the government's commitment to combat wage theft and workforce exploitation.

New discrimination protections

Enhanced discrimination protections aim to safeguard individuals from discriminatory practices based on various grounds such as gender, race, age, disability, or sexual orientation.

Small business redundancy exemptions

Certain exemptions for small businesses regarding redundancy obligations have been introduced, acknowledging their unique challenges while ensuring fairness for affected employees.

Workplace delegates' rights

Strengthened rights for workplace delegates empower them to represent employees effectively and advocate for their interests in the workplace.

Right of entry

Amendments to the right of entry provisions aim to strike a balance between ensuring union access to workplaces for legitimate purposes and safeguarding employer interests.

Casual employment

The amendments clarify the definition and rights of casual employees, addressing concerns surrounding casualisation and insecurity in the workforce.

Right to disconnect

Recognising the importance of work-life balance, the right to disconnect provisions aim to protect employees' time off work and mitigate the adverse effects of constant connectivity.

Definition of employment

Amendments to the definition of employment aim to capture various forms of work arrangements, including gig economy and platform-based employment.

Independent contractors and sham contracting

Measures to address sham contracting and protect the rights of independent contractors aim to prevent exploitation and ensure fair treatment.

Right of entry exemption certificates

Streamlining the process for obtaining right of entry exemption certificates enhances regulatory efficiency while maintaining appropriate safeguards.

Civil penalties for wage underpayments

The introduction of civil penalties for wage underpayments reinforces compliance obligations and serves as a deterrent against unlawful practices.

Civil penalties and serious contraventions

Strengthened civil penalties for serious contraventions of workplace laws underscore the seriousness of such offenses and provide greater deterrence.

Compliance notices

Empowering regulators to issue compliance notices enables proactive enforcement and encourages timely rectification of breaches by employers.

Minimum standards for 'employee-like' workers

Ensuring minimum standards for workers classified as 'employee-like' aims to address gaps in protection for vulnerable workers in non-traditional employment arrangements.

Road transport industry

Specific reforms targeting the road transport industry seek to address sector- specific challenges and promote fair and safe working conditions for workers.

Enterprise bargaining and agreements

Amendments to enterprise bargaining and agreements aim to streamline the bargaining process, enhance flexibility, and promote productivity and fair outcomes for employers and employees.

Registered organisations

Regulatory reforms concerning registered organisations aim to enhance accountability, transparency, and governance standards within these entities, ensuring they operate in the best interests of their members.

The Closing Loopholes amendments to the *Fair Work Act* represent a comprehensive effort by the Australian government to address deficiencies in workplace laws and strengthen worker protections.

These reforms aim to create a more equitable and sustainable employment environment for all stakeholders by closing regulatory gaps, enhancing enforcement mechanisms, and promoting fairness and transparency.

Employers and employees must familiarise themselves with these changes to ensure compliance and uphold their respective rights and obligations in the evolving landscape of Australian industrial relations.

OVERCOMING INVOICE DEFAULTING: A BATTLE FOR BUSINESS CASH FLOW

Invoicing is the heartbeat of business transactions, ensuring prompt payment for goods and services rendered. However, when clients or customers default on invoices and fail to meet payment obligations within agreed timelines, it can throw businesses into a financial whirlwind.

Understanding invoice defaulting

Invoice defaulting occurs when a client or customer neglects to pay their invoice by the due date specified in the payment terms. This can lead to cash flow disruptions, financial strain, and operational setbacks for small and medium-sized enterprises (SMEs) that rely on timely payments to meet their financial obligations and sustain operations. Common reasons for invoice defaulting include cash flow constraints, disputes over goods or services rendered, administrative errors, or even deliberate attempts to delay payments.

Addressing invoice defaulting

While invoice defaulting can be challenging, businesses can proactively address this issue and mitigate its impact on operations. Here are some effective strategies to consider:

Clear and transparent payment terms

Ensure payment terms are clearly outlined in your invoices, including due dates, accepted payment methods, and any penalties for late payments.

Transparency and clarity can help set expectations upfront and encourage timely payments from clients or customers.

Implement automated invoicing systems

Invest in automated invoicing systems or accounting software to streamline invoicing and send reminders for overdue payments. Automated systems can help businesses track outstanding invoices, monitor payment statuses, and send timely client reminders, reducing the likelihood of defaulting.

Offer incentives for early payments

Consider offering discounts or incentives for clients or customers who pay their invoices early or on schedule. This can motivate prompt payments and encourage positive payment behaviour while fostering goodwill between businesses and their clients.

Establish clear communication channels

Maintain open lines of communication with clients or customers throughout the invoicing and payment process. Encourage dialogue and promptly address any concerns or disputes to prevent payment misunderstandings or delays.

Conduct credit checks and set credit limits

Before entering into business relationships with clients or customers, conduct thorough credit checks to assess their financial stability and creditworthiness. Set appropriate credit limits based on their payment history and financial standing to minimise the risk of defaulting.

Enforce late payment penalties

Include provisions for late payment penalties in your payment terms to incentivise timely payments and deter defaulting. Clearly communicate these penalties upfront to clients or customers and enforce them consistently to encourage compliance with payment deadlines.

Consider invoice financing or factoring

In cases where invoice defaulting poses a significant financial strain, businesses can explore invoice financing or factoring options. These solutions allow businesses to sell their unpaid invoices to a third-party provider in exchange for immediate cash, providing a much-needed infusion of capital to sustain operations.

Invoice defaulting threatens business stability, but proactive strategies and clear communication can turn the tide. From transparent payment terms to automated systems and enticing incentives, businesses have potent tools at hand.

MANAGING PAYROLL: A GUIDE TO THE INTEGRAL SYSTEM BEHIND BUSINESSES

Payroll issues have plagued the Australian business sector for years. However, with recent legislation criminalising intentional payroll discrepancies (such as wage theft), it's time to reassess how your payroll is handled.

The most common payroll errors in businesses include underpaying or overpaying wages, delayed payment, incorrect classification of employees or the failure to make superannuation payments.

In many cases, the issues lie with human error. But how can this be addressed?

For some companies, the answer may lie with a payroll management system.

What is a payroll management system?

A payroll management system is a powerful software tool designed to simplify and automate the intricate process of managing employee compensation within an organisation.

Its primary functions encompass handling various facets of employee remuneration, including wages, salaries, tax deductions, superannuation contributions, and other associated benefits. Moreover, it ensures timely and accurate employee payment while maintaining meticulous transaction records.

Additionally, some payroll management systems extend their functionality to track employee time off or accrual of vacation leave, thereby enhancing overall workforce management efficiency.

These systems can be accessed as standalone applications or integrated within broader Enterprise Resource Planning (ERP) or Human Resources Management (HRM) systems, allowing businesses flexibility in choosing the most suitable solution for their needs.

Cloud-based payroll management systems can offer many advantages, including robust data security, seamless accessibility, and compliance with country-specific regulations.

By leveraging the latest tax rates and automating payroll processes, they minimise complexities and errors, ensuring accuracy and regulatory adherence.

Furthermore, cloud-based systems provide real-time visibility and reporting capabilities, empowering businesses to make informed decisions based on up-to-date insights. They are also scalable, evolving alongside business growth and adapting to changing requirements.

Key features to look for in a payroll management system

Time & attendance tracking: Accurately record hours worked to calculate wages, particularly for non-exempt employees subject to overtime regulations.

Wage calculation: Efficiently process payroll deductions, including taxes, superannuation, and voluntary or mandatory deductions.

Payroll tax processing: Ensure compliance with payroll tax obligations at national, state, and local levels, meeting government deadlines.

Compliance with regulations: Maintain comprehensive employee records and comply with regulatory requirements, such as Single Touch Payroll (STP) in Australia.

Employee pay statements: Provide employees access to payment summaries and other relevant information through secure portals.

Data security: Use advanced security measures to safeguard sensitive employee data and detect suspicious activity.

Employee self-service: Empower employees to manage their details, such as bank and tax information, through secure self- service portals.

Integration with existing workflows: Seamlessly integrate with existing workflows, such as onboarding and leave management, to enhance operational efficiency.

Analytics and reporting: Offer comprehensive analytics and reporting features for informed decision-making and customisation.

Anywhere access: Provide 24/7 access to remotely manage payroll queries and tasks, ensuring flexibility and convenience.

In conclusion, payroll issues pose significant business risks, affecting financial health, regulatory compliance, and employee satisfaction.

Prompt and accurate payroll management is essential to avoid legal penalties, financial losses, and morale issues.

By investing in robust systems and staying informed about regulatory changes, businesses can mitigate risks and foster a positive work environment conducive to sustainable growth.

10 EOFY TASKS FOR YOUR BUSINESS'S CHECKLIST

As the end of the financial year approaches, businesses face a flurry of tasks and responsibilities to ensure a smooth transition into the new fiscal period.

To help navigate this critical period effectively, it's essential to prioritise specific tasks that can set the stage for financial health and success in the coming year.

Here are 10 essential end-of-financial-year tasks every business should complete:

Reconcile accounts

Conduct a thorough reconciliation of all financial accounts, including bank statements, credit card transactions, and accounts receivable/payable. Ensure that all entries are accurate and up-to-date to provide a clear picture of the company's financial position.

Conduct inventory audits

Perform a comprehensive audit of inventory levels to account for any discrepancies and identify obsolete or slow-moving stock. Adjust inventory records accordingly to reflect accurate valuations and minimise carrying costs.

Review financial reports

Analyse financial statements, including balance sheets, income, and cash flow statements, to assess the company's financial performance over the past year. Identify trends, areas of concern, and opportunities for improvement.

Assess tax obligations

Review tax liabilities and obligations for the financial year, including income tax, GST/VAT, payroll taxes, and other applicable taxes. Ensure compliance with tax laws and regulations and explore opportunities for tax deductions or credits.

Finalise payroll processing

Complete payroll processing for the final pay period of the financial year, including calculat-ing wages, salaries, bonuses, and deductions. Issue payment summaries to employees and ensure compliance with relevant employment regulations

Evaluate capital expenditures

Review capital expenditures made during the financial year and assess their impact on the company's operations and financial performance.

Determine the effectiveness of investments and consider future capital allocation strategies.

Settle outstanding debts

Address any outstanding debts or liabilities owed by the business, including vendor invoices, loans, and credit card balances. Make necessary payments to avoid penalties and maintain positive relationships with creditors.

Review budget vs. actual performance

Compare actual financial results against the budgeted forecasts to evaluate variances and identify areas of overspending or underperformance.

Adjust future budget projections based on insights gained from the review process.

Update financial records

Ensure that all financial records, documents, and transactions are accurately recorded and organised for future reference and audit purposes.

Implement proper record-keeping prac-tices to maintain compliance and transparency.

Plan for the new financial year

Develop a strategic plan and budget for the upcoming financial year based on insights from the review process. Set clear goals, priorities, and initiatives to guide business operations and drive growth and profitability.

By prioritising these essential end-of-financial-year tasks, businesses can ensure compliance, accuracy, and financial stability as they transition into the new fiscal period.

Effective planning and execution of these tasks can lay the groundwork for success and set the stage for achieving business objectives in the year ahead.

"To help navigate this critical period effectively, it's essential to prioritise specific tasks that can set the stage for financial health and success in the coming year."

CONTACT

For further information or assistance, please contact:

MEMBER FIRMS

ADELAIDE
Lynn Scholz
T: +61 (0)8 8133 5000
E: lscholz@hlbsa.com.au

AUCKLAND
David Hoy
T: +64 (9) 303 2243
E: david@hlb.co.nz

BRISBANE
Katherine Patel
T: +61 (0)7 3001 8800
E: kpatel@hlbqld.com.au

FIJI
William Crosbie
T: +679 670 2430
E: william.crosbie@hlbnadi.com.fj

MELBOURNE
Aaron Murden
T: +61 (0)3 9606 3888
E: amurden@hlbvic.com.au

PERTH
Rowan Tracey
T: +61 (0)8 9267 3269
E: rtracey@hlbwa.com.au

SYDNEY
John Raffaele
T: +61 (0)2 9020 4000
E: jraffaele@hlbnsw.com.au

WOLLONGONG
Paul Apolloni
T: +61 (0)2 4254 6500
E: papolloni@hlbw.com.au

REPRESENTATIVE FIRMS

HOBART / LORKIN DELPERO HARRIS
T: +61 (0)3 6224 4844
E: mail@ldh.com.au

LISMORE / THOMAS NOBLE AND RUSSELL
T: +61 (0)2 6626 3000
E: enquiries@tnr.com.au

NEWCASTLE / CUTCHER & NEALE ASSURANCE
T: +61 (0)2 4928 8500
E: cnmail@cutcher.com.au

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