

CLIENT FOCUS:

TRAINING FOR THE FUTURE

One business's intense focus on staff training and education is producing big results.

WHEN MIKEY FORSTER WAS THINKING ABOUT opening a salon, he wanted a name that had nothing to do with him, not associated with hair, and something that was memorable. 'Horse Meat Disco' is a DJ group from the UK. Mikey loved how the sound of the words rolled together and he loved the fun and upbeat sound of the DJ group so he thought, "why not add salon to the end and go for it"!

The name has been a big calling card for new clients and is already gaining strong brand recognition. When Mikey talks to people about his salon, most people say "oh, I've heard of that place" and that's exactly what Mikey set out to create, a strong brand.

Horse Meat Disco Salon opened in May 2012, with the simple goal to be busy enough to keep the doors open. A few months later the Salon had employed three additional staff members. Within the first two years of opening the Salon was expanded to include an extra two seats. Now, Horse Meat Disco Salon, currently employs 12 staff and has 14 chairs in the Salon.

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Mikey is a national educator for Wella Australia and New Zealand and in that capacity has a full appreciation of the importance of training in the Salon industry. Mikey believes "training and education has helped us grow as much as we have done within a short time frame".

When asked about where the business focuses its resources, Mikey explained "I focus heavily on training both within and outside the Salon. The Salon pays for all the training costs of the team. There are lots of salons out there that don't pay for their staff's education and therefore the staff don't usually attend. I want to make sure



This year, Mikey and one of his valuable staff members, Nicole Jeffery, were national finalists for the American Crew All Star Challenge. In this international mens haircutting competition, Mikey and Nicole made the top 20 of over 400 entries. Congratulations from everyone at Stanton Mienert for this stellar effort.

Stanton Mienert enjoys our involvement and support to Horse Meat Disco Salon, a business that is hardworking, dedicated to knowledge and excellence, and brings fun and excitement into their workplace.

This year Mikey's goal and focus remains on education and training. Mikey wants to push his team to the limits and help them achieve the business and personal goals they have set for themselves. Mikey also sees further expansion, "Our client base continues to grow, so I'm meeting with Designers and Shop Fitters to plan the next stage of the Salon's future.

We look forward to supporting Mikey with his expansion and wish him and his team all the success for the future.

CHANGES TO PENALTY RATES

BY HR LAW

THE FAIR WORK COMMISSION ANNOUNCED on 22 February 2017 that public holiday and early/late night penalty rates will be reduced for some permanent and casual employees in the retail, fast food, hospitality and pharmacy industries.

Whilst the Commission is not expecting a large increase in jobs from the changes, there is evidence it will lead to an increase in trading hours, the level and range of services offered on Sundays and public holidays and an increase in hours worked.

If the Commission's decision remains and the effect of the decision is not delayed, public holiday penalty rate cuts and changes to early/late night work loadings in the restaurant and fast food awards will come into effect on 1 July 2017.

The Commission is yet to decide when Sunday rate cuts will come into effect, but have indicated it will phase in the changes over at least two annual instalments which will occur around the time of any increase in minimum wages on 1 July of each year.

The take away message is that any changes to penalty rates are still uncertain. As an employer you should be using this time now to review and update current employment contracts to ensure they are drafted in such a way that any changes made to the modern awards, including a reduction in penalty rates, can be easily implemented.

In anticipation of the changes to penalty rates, it is important for employers to review and update their current employment contracts to include reference to relevant changes in awards (if necessary) before the changes come into effect. This is because if an employment contract contains reference to a previous award penalty rate (i.e. 200% on Sunday) and the penalty rate is reduced (say to 150%) that employee may still be entitled to be paid the previous penalty rate, as irrespective of the modern award, their contract gives a contractual entitlement to the previous penalty rate. Therefore, we recommend using this time to seek legal advice regarding the changes and how they may affect your business and updating employment contracts where necessary.



RECORD KEEPING REQUIREMENTS

RECENTLY WE HAVE SEEN A COUPLE of cases where clients have prematurely decommissioned accounting hardware and software when upgrading hardware/software platforms.

Unfortunately in one case, a client subsequently received an ATO review but was unable to provide adequate supporting information due to deleting the data from their server. It is a timely reminder that records need to be kept as follows.

BASIC RECORD KEEPING

Generally, for tax purposes, you must keep your records in an accessible form (either printed or electronic) for 5 (five) years however the Corporations Act Sec. 286 requires Companies to keep financial records for 7 (seven) years after the transactions covered by the records are completed. Some of the basic records you may need to keep are:

- Governing documents (for example, constitution, rules, trust deed);
- Financial reports (for example, financial statements, annual budgets, reconciliations, audit reports, accounts payable and accounts receivable);
- Cash book records of daily receipts and payments;
- Tax invoices and income tax records, such as debtors and creditors lists, stocktake records and logbook for motor vehicle use;
- Records relating to employees (for example, TFN declarations, pay as you go (PAYG) withholding, superannuation and fringe benefits provided);
- Grant documentation (for example, when funding will be received, when acquittals need to be made, application deadlines);
- Complete detailed general ledger listing for all accounts which support the figures as disclosed in Financial Statements;
- Complete detailed GST transaction listing that supports purchases and sales figures as per BAS lodged with the ATO;
- Contracts and agreements (for example, cleaning, maintenance and insurance contracts, finance or lease agreements);
- Copies of reviews of entitlement to tax concessions;
- Records of payments withheld from suppliers who do not quote an Australian business number (ABN);
- Banking records (for example, bank statements, deposit books, cheque books, bank reconciliation);
- Records to help prepare tax statements and returns.

RESEARCH & DEVELOPMENT 43.5% TAX OFFSET

If you are a company developing a new product, service or technology in Australia, you may be eligible for up to 43.5% tax offset under the Research and Development (R&D) Tax Incentive provided your claim is lodged with Ausindustry prior to 30 April 2017.



WHO CAN CLAIM?

The R&D tax offset can only be claimed if you are a R&D entity. A R&D entity is a corporation that is any of the following:

- A company incorporated under an Australian law;
- A foreign company but an Australian resident for income tax purposes;
- A foreign company incorporated under foreign law and you are both:
 - A resident of a country with which Australia has a double tax agreement that includes a definition of 'permanent establishment'; and
 - Carrying on business in Australia through a permanent establishment as defined in the double tax agreement.

In addition to the above, you must also be carrying on eligible R&D activities.

WHAT ARE ELIGIBLE R&D ACTIVITIES?

There are 4 criteria that R&D activities must exhibit in order to qualify for the tax offset. The activities must:

- Be experimental i.e. have an element of inherent risk;
- Undertaken to generate new knowledge;
- Have outcomes that cannot be known or determined in advance

on the basis of current knowledge, information or experience but can only be determined by applying a systematic progression of work based on established science and proceeds from hypothesis to logical conclusions; and

- Compliant documentation to support the project undertaken.

WHAT CAN BE CLAIMED?

R&D entities, undertaking eligible R&D activities can claim eligible R&D expenditure. Some common examples of eligible R&D expenditure include:

- Direct R&D costs such as materials and consumables;
- Contractors and consultants engaged to undertake R&D activities;
- R&D staff salaries, including on-costs;
- Percentage of overhead costs where related to R&D (e.g. electricity, rent);
- Plant leasing and depreciation costs where related to R&D equipment;
- Travel costs for R&D purposes;
- R&D prototyping trial costs; and
- R&D project management, administration and support costs.

If you are a company and feel you would meet the above criteria please contact our office for a review of your circumstances.

CREDIT / DEBIT CARD & ONLINE SELLING DATA MATCHING

The ATO is now collecting new data from financial institutions and online selling sites as part of their new credit and debit cards and online selling data-matching programs. The ATO has been requesting:

- The total credit and debit card payments received by businesses
- information on online sellers who have sold at least \$12,000 worth of goods or services.

The ATO will be matching this data with information received from income tax returns, activity statements and other ATO records to identify businesses that may not be reporting all their income or meeting their registration, lodgment or payment obligations.

SUPERANNUATION REFORM DEADLINE ... ARE YOU READY?

With the biggest changes to superannuation only 3 months away, it is critical that superannuation members seek professional advice in relation to identifying strategies to optimise their retirement savings and income streams prior to the new Superannuation Reforms taking effect on 1 July 2017.

Any members of a SMSF, Industry or Retail Fund who identifies with one or more of the following, will have strategies available to them to minimise the impact of superannuation reforms on their wealth and income streams. These apply to members who:-

- Commence a Transition to Retirement Income Stream (TRIS) before 9 November 2016 that faces losing the tax-exempt treatment of its investment earnings from July 1;
 - are nearing retirement age and have the capacity to make additional superannuation contributions;
- Have a total member balance of more than \$1.6 million in superannuation;
 - are nearing retirement and have an accumulation account balance of more than \$1.4 million.

Clients identified meeting one or more of the above will be contacted by our office in the coming weeks to implement a properly constructed strategy prior to 1 July.

CAPTURE THE VALUE OF YOUR INTANGIBLE ASSETS

BY TIM LUNN

For companies such as Paypal, Facebook, Google, Apple etc, over 90% of their market value comprises intangible assets.

IF YOU'RE THINKING, 'this doesn't relate to my business, as they are large public companies', think again.

The value of your business is not the chairs you sit on, the computers that your people use, the plant and equipment that is in your factory, or the cars that your sales staff drive. The value of your business lies in how you use these tangible assets to make your business unique.

The value of your business lies in your uniqueness and what makes your customers want to come to you.

Your intangible assets, created by investments in time, include the things that are special about your business. These assets may be the quality of service you provide, the uniqueness of the products you sell, or the effectiveness of the results you create. Some of the more common tangible assets include:

- Patents, Copyrights and Licences
- Trademarks / Tradenames
- Customer lists and relationships
- Software
- Trained and assembled workforces
- Trade secrets
- Unpatented proprietary technology
- Systems and processes
- Customer and/or Supplier Contracts.

The list does go on ... so you need to Identify and Protect.

To capture the value of your intangible assets you need to identify what your assets are, then you need to set about protecting those intangible assets.

Think about this question: 'Why do customers buy from me?' Create a comprehensive list of what you believe are the answers to that question. Identify your intangible assets in context of the list you have created.



Now, prioritise the intangible assets you have identified. What is your most valuable asset? What intangible would you least like to lose?

It is now time to protect the intangible assets you have identified:

- Trade mark registrations can be used to protect brand(s).
- Copyright to protect content (written, audio and visual).
- Documentation of Systems and Processes to protect know-how
- Non-disclosure agreements with employees and/or suppliers to protect trade secrets.
- Non-compete clauses in staff contracts to protect systems and processes and in turn — know-how.
- Acquiring rights to domain names, including similar domain names which could potentially be misused, to preempt cyber-squatting and other consumer confusion.
- Use of design registration for new and distinctive designs.

- Limiting access to confidential information, i.e. customer databases, designs, formulas etc, to prevent misuse.

This list is not exhaustive and the strategy will depend upon the intangible assets you have identified.

Paying attention to intangible assets is complex, however the effort will be rewarded with your business increasing in value.

Please contact us at Stanton Mienert if you would like to discuss the potential of the intangible assets that you have developed in your business.

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