

## Maitland Hospital Foundation – now in its second year



*Greg Farrow, Chairman,  
Maitland Hospital Foundation*

This time last year I was proud to see the concept of a foundation to support The Maitland Hospital become a reality. I strongly believe that it is up to local businesses to support our community and such

a Foundation provides avenues to support one of our most significant areas of need in health and health education.

The Maitland Hospital provides a comprehensive range of services including medical rehabilitation, surgical and day surgery and maternity and child services. Its emergency department alone sees a staggering 40,000+ people a year.

The Maitland Hospital also supports other area hospitals including Kurri Kurri, Cessnock, Singleton, Dungog and Muswellbrook. It is so fundamentally important to help our neighbouring hospitals function at their full potential to make life easier for those locals to be treated as close to home as possible.

Through philanthropic support we can give help to The Maitland Hospital by purchasing the much needed medical equipment which is outside the funding of the Government and which means so much to the community in which we live and work.

This year we are aiming high and will be asking the community to dig deeply at a fundraising function to raise monies for vital medical equipment.

We will be hosting a cocktail function at Maitland Regional Art Gallery on **Friday 28 October commencing at 6.00pm**. You can support the Foundation by either attending or perhaps donating towards the auction or raffle prizes or simply by donating some time towards it.

If you have any questions or would like further information about the Maitland Hospital Foundation please call me or email [admin@maitlandhf.org.au](mailto:admin@maitlandhf.org.au).

### **Greg Farrow**

*Chairman, Maitland Hospital Foundation*

**Function:** MHF Annual Fundraising Cocktail Evening

**Venue:** Maitland Regional Art Gallery

230 High Street Maitland

**Date:** 28 October 2011

**Time:** 6.00 – 10.00pm

**Cost:** \$55.00 per head

Purchase tickets from [www.trybooking.com/VJR](http://www.trybooking.com/VJR)

*proudly supporting*



**MAITLAND HOSPITAL FOUNDATION**

## Carbon Tax

Earlier this year the Federal Government announced its plan in relation to the implementation of a proposed carbon tax. Below is a snapshot of the plan.

### **Carbon Price**

A carbon price has been set at \$23 per tonne for the year beginning 1 July 2012. It will increase at the rate of 2.5 percent (in real terms) until 1 July 2015 when Australia becomes part of a full carbon trading system. The carbon price at this time will be set by the market.

## Implications

- The tax will apply to approximately 500 high polluting companies;
- As a result of the tax, it is expected that business costs (particularly electricity) will increase.
- The Government anticipates that businesses will need to increase prices to cover these costs;
- The Government expects the average household will be approximately \$9.90 per week worse off, before any compensation, as a result of the plan;

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- Fuel for light commercial vehicles (on-road vehicles of less than 4.5 tonnes) will be exempt from the tax (however they will still be subject to the current fuel excise);
- Fuel for off-road business use will see the carbon tax apply to the fuel they use. However, the current fuel excise will be reduced by an amount effectively equal to the carbon tax they will now pay;
- Fuel for on-road heavy vehicles (over 4.5 tonnes) will not face a carbon tax until 1 July 2014. Those vehicles that use LPG, LNG and CNG will effectively pay no carbon tax.

## Assistance

### Business

Some of the assistance measures being offered to business are:

- For businesses with an aggregated turnover of less than \$2 million a year, the small business instant asset write-off threshold will be increased from \$5,000 to \$6,500 for depreciable assets from the 2012-13 income year;
- The Government will establish a \$40 million Energy Efficiency Information Grants program to provide information to small and medium businesses and community organisations on practical measures they can take to reduce their energy costs;
- The Government will inject an extra \$5 million over four years to improve delivery of clean technology advice and other non-grant business support programs to small and medium businesses;
- The \$800 million Clean Technology Investment Program will provide grants to manufacturers to support investments in energy efficient capital equipment and low-pollution technologies, processes and products;

- Special assistance will be provided to the food processing, metal forging and foundry industries, due to them having a somewhat higher exposure to energy costs than general manufacturing businesses.

### Households

- The following household assistance has been announced, which targets low and middle income families:
- Pensioners and self-funded retirees (who hold a health care card) will get up to \$338 extra per year if they are single and up to \$510 per year for couples, combined;
- Families receiving Family Tax Benefit Part A will get up to an extra \$110 per child per year
- Eligible families will get up to an extra \$69 per year in Family Tax Benefit Part B;
- Allowance recipients will get up to \$218 extra per year for singles, \$234 per year for single parents and \$390 per year for couples combined;
- Fuel for personal consumption will be exempt from the tax (however it will still be subject to the current fuel excise).
- The assistance measures mean that on average households will receive \$10.10 per week to cover the expected average rise in costs of \$9.90 due to the carbon tax.
- Families with an income of over \$180,000 will receive no tax cuts or government assistance nor will single people earning more than \$80,000.
- Around one million households will not receive any assistance.
- Taxpayers with annual income of under \$80,000 will receive a tax cut, with most receiving at least \$300 per year (see proposed tax rates table below).

	Current		2012-13		2015-16	
	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate
1st Rate	6,001	15%	18,201	19%	19,401	19%
2nd Rate	37,001	30%	37,001	32.5%	37,001	33%
3rd Rate	80,001	37%	80,001		80,001	37%
4th Rate	180,001	45%	180,001		180,001	45%
Low Income Tax Offset	Up to \$1,500	4% withdrawal rate on income over \$30,000	Up to \$445	1.5% withdrawal rate on income over \$37,000	Up to \$300	1% withdrawal rate on income over \$37,000
Effective tax-free threshold	16,000		20,542		20,979	



## SCAMwatch

SCAMwatch is warning Australians to be alert to scam calls offering to pay carbon tax compensation into your bank account or asking survey questions about the carbon tax.

### How the scam works

- You receive a call from a scammer claiming to be from the Federal Government or a Federal Government department.
- The scammer will ask for your bank account details, possibly including passwords, in order to pay a carbon tax compensation payment into your bank account.
- Early reports are that the scammer will offer \$5,000 in compensation however this amount may vary from call to call.
- The scammer may ask you if you would like the compensation paid via a direct deposit or via cheque.
- If you give the scammer your bank details and passwords they may gain access to your money and any personal details which are linked to your bank account.
- Some scam callers may also claim to be running a survey on the incoming carbon tax.

### Protect yourself

- If you receive a phone call out of the blue asking for your bank account or personal details, or claiming you need to pay money to receive a compensation payment, hang up immediately.
- Be alert to scam survey calls which ask for personal and financial details.
- The Australian Government will never call you to ask for your bank account details or to offer you carbon tax compensation.
- If you're not sure that a call is a scam you can check by independently using official contact details, never use phone numbers or email addresses provided by the caller.
- NEVER provide or confirm your personal details over the phone unless you made the call using details you found yourself and you trust the other party.
- If you think you have provided bank account or credit card details to a scammer, contact your bank or financial institution immediately.

### Report

You can report scams to the ACCC via the report a scam page on SCAMwatch or by calling 1300 795 995.

## Good Governance

Governance focuses on the policies and mechanisms set in place to administer and direct your business. Although many believe that corporate governance is something reserved only for large corporations, this is not true. In fact, good governance is vital to the growth and success of any business regardless of size or industry.

The key values that form the basis of governance are:

- Integrity
- Leadership
- Competence
- Enterprise
- Fairness
- Commitment
- Confidence
- Respect
- Accountability
- Transparency

Governance consists of strategic planning, appropriate business conduct, ethical behaviour, ensuring the business meets compliance requirements, quality assurance, good human resource practices, and assessing and managing business risk.

Remember that it is important to make decisions, regardless of the size of your business, about how you will govern it. These decisions and processes should be implemented in such a way that they filter through all management levels and impact staff. Creating an atmosphere where these key values are characteristic of all staff members and managers is one of the key performance indicators for success, as well as staff satisfaction.

Good business governance can help you to create and implement successful strategies for your business, giving you the confidence and determination to overcome any challenges your business may face in the future.

Wayne Russell, partner at Farrow Wyatt, is a director on various Boards and is a member of the Australian Institute of Company Directors. Contact Wayne should you wish to discuss any areas of your business governance.

## The New Personal Property Security Act (PPSA) - It could affect you!

The use of personal property as security for credit is a significant aspect of the Australian Economy. Various Commonwealth, state and territory registers of encumbered assets will be folded into the new, national Personal Property Securities (PPS) Register and will affect many of our clients.

The PPSA was anticipated to come into effect this October and may still do, however, recent news refers to possible delays until February 2012. Either way it is important to know how it affects you.

We expect this reform to trigger profound changes. Financiers, along with businesses operating across all industries – but particularly in the manufacturing, wholesale and retail sectors - will be affected.

The Act applies to almost all forms of tangible and intangible property owned by any type of legal entity including money, goods, motor vehicles, hire purchase agreements, accounts receivable, long term leases, investment securities and documents of title. Exclusions include land, water rights and certain rights or entitlements created by statute.

The intent of the PPSA is to streamline procedures involved in formal insolvency appointments. It replaces a number of existing registers, including the ASIC Register of Charges, and the Register of Encumbered Vehicles (REVs), which is based on legal form and the holding of title, and moves to a single regime based on the substance of the transaction. The PPSA will apply to debentures, chattel mortgages, retention of title, hire purchase, leases exceeding one year, assignments of debt, consignments, and security trust deeds.

However the practical applications of the Act have wider implications than insolvent companies and insolvency practitioners. This is particularly the case if you or your business lease out equipment or supply goods to other businesses on delayed settlement terms.

Under the PPSA, the concept of “title” is irrelevant.

The Act attempts to resolve the confusion of previous regimes by referring to “security interests” instead of “title”. “Security interest” is defined in the legislation as a transaction which “in substance secures the payment or performance of an obligation”.

Most of us are familiar with “title” as ownership. If I own a car, and I lease it to you, it remains mine: I retain the “title”, while you have rights of use of the car.

Previously this could cause difficulty in formal administrations, liquidations and receiverships when appointees were under pressure to realise assets for the benefit of secured creditors.

It was not always immediately clear which goods and assets (such as stock, machinery, fit-out etc), were the property of the insolvent party (and therefore available to reimburse secured creditors), and which were subject to the “title” of another party (e.g. a leasing company or supplier who hadn’t been paid).

Essentially, the PPSA assumes assets are generally available for realisation by an insolvency practitioner and reimbursement of secured creditors (regardless of “title”), unless “security” over them is “perfected” by the true owner or holder of the title. Title itself does not equate to rights over one’s own property in such circumstances. Failure to register an interest in an asset may result in you or your business having no claim over the asset in an insolvency scenario. Security over assets should be registered on the Personal Property Securities Register (PPSR).

The Act also provides for the determination of priority between multiple security interests in the same personal property; determination of priority between a security interest and another type of interest in the same personal property; and various exceptions. There are also complex rules on how security interests apply when supplied goods are affixed to other goods or mixed with, or blended into, other goods.

### So what do you need to do?

The PPSA raises serious risks for many Australian businesses. Business owners and directors should understand that usual “asset protection” and separation vehicles and structures such as trusts and separation of entities may not protect your assets from the reaches of the PPSA.

You should seek appropriate advice and put steps in place to mitigate risk to ensure that the interests of your business are protected. A properly structured plan should address:

1. A review of the group structure including arrangements or agreements between entities
2. A review of your terms of trade if you supply inventory to another entity
3. Processes to ensure you register your security interest in inventory prior to any stock being sold. Retention of Title (“ROT”) terms will need to be agreed in writing and registered to be effective. You may also need to register a Purchase Money Security Interest (“PMSI”) in order to gain a super priority over the customer’s other creditors so your future ongoing supplies may be protected
4. Where your business takes ‘security interests’ in property and registers these interests, then you will need to have in place records and systems to deal with enquiries and

other requirements of the legislation. Your staff will need to be educated and informed of the new registration procedures. Your business should compile inventories of existing security interests in order to register them. You will also need to ensure that appropriate systems are in place to record and manage future security interests

5. If you are a customer or recipient of goods or services, suppliers will seek to register security interests against your company. These will need to be checked carefully and regularly to ensure that they do not exceed the exceptions allowed in negative pledge agreements. In particular, some retention of title clauses purport to give security over all the assets of the buyer.

Company directors and management may also find that in the early stages of the new legislation, financial institutions may review their security margins and reduce the availability of credit which means additional equity or working capital may be required.

There is still time to get your house in order. The Act comes into full effect in October 2011. Beyond that there will be a two-year "grace period" to allow businesses and financiers to bed down new arrangements and get security interests registered correctly.

However based on the introduction of PPSA in both Canada and New Zealand, there is potential for conflict and litigation, so you should be proactive in how you approach it.

Companies should begin preparing for the PPSA regime to protect their interests and minimise disruption to businesses once the PPSA takes effect. Preparations should include seeking appropriate advice to assist you with:

- Reviewing group structures and the arrangements between group entities
- Checking your standard terms of supply, as well as your financing arrangements and other potentially affected contracts
- Identifying the assets affected
- Identifying the transactions that will need to be registered
- Redrafting standard terms
- Where necessary, preparing new policies concerning the requirements for registering transactions and associated documentation.

One of the most difficult and time consuming issues facing businesses will be to work out what PPSA means for that business. If you need help determining what the PPSA means to you, contact your Farrow Wyatt adviser.

## **PAYROLL TAX Rebate Scheme - Jobs Action Plan**

The Jobs Action Plan targets the creation of 100,000 new jobs in NSW from July 2011 and gives businesses the incentive to employ new workers and expand their enterprises. The plan provides a payroll tax rebate of up to \$4000 per employee for the first 100,000 new payroll tax paying jobs created in NSW on or after 1 July 2011. 40,000 of the new jobs will be prioritised for non-metropolitan areas of NSW with the remaining 60,000 in metropolitan areas. Businesses that increase their employment levels will receive a payroll tax rebate following the employment of each additional employee in a position that is a new job.

To be eligible for the rebate scheme, you must be registered as an employer and paying payroll tax under the Payroll Tax Act 2007. The rebate will be paid in two equal parts, on the first and second anniversary of the employment of an additional employee in a new job.

### **Eligible locations**

Metropolitan area - being the area constituted by the following Local Government Areas:

- Ashfield, Auburn, Bankstown, Blacktown, Blue Mountains, Botany Bay, Burwood, Camden, Campbelltown, Canada Bay, Canterbury, Fairfield, Gosford, Hawkesbury, Holroyd, Hornsby, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Liverpool, Manly, Marrickville, Mosman, North Sydney, Parramatta, Penrith, Pittwater, Randwick, Rockdale, Ryde, Strathfield, Sutherland Shire, Sydney, The Hills Shire, Warringah, Waverley, Willoughby, Wollondilly, Woollahra, Wyong,
- Newcastle,
- Wollongong.

The non-metropolitan area is made up of the rest of the State that does not fall within the metropolitan areas above. The new jobs found in these areas will be prioritised before the metropolitan areas.

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## Eligible employment

Employment is eligible employment if:

- a person is employed (full-time or part-time) in a position that is a new job, and
- the employment commences on or after 1 July 2011, and
- the employment is maintained for a period of at least two years, and
- the services of the employee are performed wholly or mainly in NSW, and
- the employment is not excluded from the rebate scheme.

## New job

A position is a new job if the employment of a person in that position results in a sustained increase in the employer's FTE employees. This increase must be sustained on both the first and second anniversaries of the date the employment commenced and throughout the 2 years. If the FTE falls below the FTE required for the payment of the rebate for more than 30 days any time during the year, the Chief Commissioner may refuse to pay the rebate.

## Calculation of the number of full time equivalent (FTE) employees.

The number of FTE employees of an employer on the date of appointment of a new employee (excluding the new employee) and on the first and second anniversary of a new employee's appointment (including the new employee) is the sum of  $F + A/B$  where:

F = the number of full time employees on that date

A = the total number of hours worked in the preceding pay period by all part time employees employed on that date;

B = the average number of hours worked in the preceding pay period by all full time employees employed on that date.

The Chief Commissioner may agree to a different or compromise method of calculating the number of FTE employees if it is too difficult or costly to determine the exact figures.

**Minimum employment period.** The minimum employment period is 2 years starting on the date the employment concerned is claimed to commence. Employment is maintained if there is always a person employed in the position for which the rebate is claimed. A vacancy in a position can be disregarded if the number of days vacant does not exceed a total of 30 days in each year of employment for which the rebate is claimed. The rebate may be paid if the 30 days are exceeded but only if the Chief Commissioner is satisfied the length of the vacancy is beyond the employer's control. In this case the rebate will be paid on a pro-rata basis.

## Excluded employment

The employment of a person by an employer is excluded from the rebate scheme if:

- the person was employed by the employer claiming the rebate or a group member in the previous 12 months, or
- the person's employment is a continuation of employment with another employer, or
- any wages paid by the employer to the person are not taxable wages (i.e. the wages must be subject to NSW payroll tax under the nexus provisions), or
- any wages paid by the employer to the person are not taxable wages (i.e. the wages must be subject to NSW payroll tax under the nexus provisions), or
- the employer is entitled to a rebate under the Payroll Tax Act 2007 (i.e. apprentice/trainee rebate), or
- a rebate, subsidy or other assistance is payable to the employer for the employment of the person by the State, or
- the employer is taken to be the employer of the person under the contracting provisions or employment agency provisions of the Payroll Tax Act 2007, or
- the employer is the Crown in right of New South Wales or in any of its other capacities, or
- the employer is a public, local or municipal body or authority.

A person's employment with an employer (the new employer) is a continuation of employment with another employer (the previous employer) if:

- the person was, within 12 months before the date on which the person commenced employment with the new employer, employed by the previous employer in a business or undertaking, and
- that business or undertaking has been the subject of a merger with the business or undertaking of the new employer or has been taken over or
- otherwise acquired by the new employer.

## Registering for the scheme

Employers are required to register the employment of a person in a position that is a new job and advise the number of FTE employees immediately before the position was filled.

Registration may be made:

- by an employer who is registered and paying payroll tax between 1 July 2011 and 30 June 2013 within 30 days after the employment to which the application relates first commences.

*Our experienced team can assist you in registering for and claiming the Payroll Tax Rebate Scheme.*

*For more information about the Jobs Actions Plan call your adviser on 4931 6000.*

## Beware of the Warning Signs of Business Failure

The last 18 months have proved challenging for many small businesses and these trying times could continue over the year ahead. A lot of business owners find it difficult to discuss poor performance yet it is critical during these times to ask for help and to monitor all warning signals.

There are usually some obvious signs that a business is experiencing difficulties including the following:

- History of losses
- Poor cashflow
- Outstanding tax and superannuation commitments
- No access to finance and poor banking relationships
- Supplier and creditor issues
- Poor financial records

As a business owner, what can you do to combat the key issues your business is facing? Below are some of the remedies to deal with the early warning signs of business failure. For those businesses who are currently tracking well, the following tips can also apply to ensure that your business continues to be robust and competitive.

### Budget and Cashflow Analysis

Put in place a robust three-month rolling cash-flow so you can truly understand your cash-flows and identify key flash points when they arise. The budget should give a clear indication of the break-even point of the business so owners/managers know what level of revenue is required to maintain costs. Any cashflow or budget should be carefully prepared, be realistic and be constantly reviewed.

### System Implementation

Implement systems that accurately calculate the profitability of your products and/or services. For unprofitable products, raise prices or consider dropping them altogether. Ensure you have systems in place that give you current and accurate details on items such as bank balance, sales history, debtors, creditors, stock and work in progress.

### Stock Control & Management

Identify slow moving or obsolete stock and be prepared to cull products or discount them so you convert the stock into cash. Be ruthless... if the products are not moving then customers don't want them. Monitor your stock turns on a monthly basis and analyse your purchases to ensure you don't have too many small orders with high freight costs; too many suppliers so you don't get quantity discounts; and take advantage of settlement discounts.

### Business Plan

Update or put in place a detailed and well-prepared business plan. The business plan must be realistic and based on accurate, current information and educated projections for the future. The business plan should also include a strategy on how to communicate with your major stakeholders (bank, key suppliers, key customers, shareholders and employees). A detailed business plan together with updated budgets can be used to demonstrate to your financiers that you are working to a plan. This will increase or maintain their confidence which is crucial at present when it is harder to raise new finance.

### Marketing

Develop a marketing strategy to win new customers. Identify your unique selling proposition and focus your marketing strategies on it. Ensure the marketing strategy clearly identifies the demographics of your customer base and your customer's needs. Many businesses that experience difficulties ignore marketing and advertising in troubled times when this may be the answer to increasing sales. However it is important to monitor the success and conversion rate of any marketing activity.

### Staffing

Review your management team... do you have the right mix of staff with appropriate skills? Businesses require well-trained, enthusiastic and motivated staff to perform their role. It's important that you have an environment that promotes open channels of communication and clearly understood roles and responsibilities. You will need to determine if your existing team can rise to the challenge with additional training and mentoring. If you are not confident, don't waste time hoping they will someday. Consider recruiting experienced or appropriately skilled staff to plug gaps.

### Process Review

Conduct a review of your processes to identify any areas of labour or time wastage. Are you really getting your products and services to market as efficiently as possible? Have you got in place systems that can measure wastage or poor performance? Perform a review of your capital assets and staffing numbers.

*Farrow Wyatt have introduced a step by step model to help you evaluate all these areas and identify key areas of need and development to assist you in the times ahead. If you are a small-to-medium sized business and would like some assistance to ensure you are well prepared, contact Scott Edden about our Business Direction Model on 4931 6000.*

## Congratulations to the following staff for their recent promotions

(L-R) Tim Bull, Courtney Marsh, Kym Kirkwood, Katherine Hodges, Kate Coombs, Jessica Detterer, Andrew Burl and Ben Nix (absent)



## Cashflow Tips

Following on from a recent workshop, I have listed below some top tips that came out of it to help you manage your cashflow:

### Know your business' balance sheet thoroughly.

Many business people don't know how cash flow works and its significance to keeping their operations afloat. Many owners focus on their business' profit and loss statement alone which is a potentially fatal mistake because healthy profits can mask an impending cash flow crisis. Profit and loss statements don't usually contain the information required to make an adequate cash flow projection. For that, you're going to need a structured balance sheet that includes all the influencing factors including debts, interest payments, inventory and so on. This is the basis for your cash flow projection.

### Set up a cash flow budget

You need to focus on forward planning to generate a "best guess" about likely future sales and expenses. There are some cash flow software tools around, but you can also set up your own program in Excel. Your account manager at Farrow Wyatt can help you set this up or advise on appropriate software tools.

### Review and update cash flow budgets regularly

It's your best insurance against potential cash shortages. If your business has a predictable cash flow, then cash flow budgeting on a quarterly basis is often enough. The rule of thumb is that the greater the cash flow uncertainty, the more often a new cash flow budget should be prepared.

### Set your credit terms carefully

If the nature of your business requires the offer of credit terms, then clearly set the limits of these terms.

## ATO Hit List

The new financial year brings a new compliance hit list from the ATO. Some of the key areas of focus this year are for micro-businesses and small to medium size businesses, wealthy individuals, sham contracting and work-related expenses all of which are in the tax man's sights.

The Tax Office says fields as diverse as real estate, hospitality, carpentry, medicine, football and aviation will be in focus for the year to 30th June, 2012.

*A more detailed article highlighting the key targets is available on our website [www.farrowwyatt.com.au](http://www.farrowwyatt.com.au)*

## Key Tax Dates

A list of key tax dates for October to December is available on our website.

## Get payments in quickly

Master the art of debtor management. Let debtors know how much time remains before due dates. Stay in close touch with major debtors as payment deadlines approach. Offer small discounts for early payment as an incentive (but know your break even point - a 2% discount when you are making a 10% net profit margin is 20% of your profit margin).

## Pay your creditors strategically

Take advantage of credit terms and prioritise payments according to the consequences involved in going overdue. Wages, taxes and direct debits are at the top of the list for on-time payment; key suppliers may be prepared to wait awhile to keep your business. Don't pay early just to get a discounted price unless getting the discount is better than being without the cash.

## Plan for the lumps

Be aware of when lean cash flow periods are coming up and plan accordingly. Avoid funding major purchases from your business' working capital unless you are sure you have the cash to cover it.

## Get finance products working to your benefit

Overdrafts, invoice financing/cash flow funding, premium funding, and lease facilities can all be excellent tools to help match a business' cash supply with planned outlays. Even the business credit card can be a good way to ease the squeeze as long as you are sure the debt can be paid before interest kicks in.

## Don't incur tax and other statutory penalties

Save yourself the money and the stress!

**Scott Edden, Partner**