

# BUSINESS AND TAX NEWS

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## New Year's resolutions for 2017



# EVANS EDWARDS

CHARTERED ACCOUNTANTS

**The start of the New Year is generally a time to reflect on the previous year's achievements and challenges and work towards setting new goals.**

The New Year can offer business owners a powerful motivation for business growth. Whether you want to expand your business or increase your network; goal-setting plays a critical role in achieving success. Here are four business resolutions to consider for 2017:

### Review your business plan

The beginning of the year is a great time to review and update your business plan. An annual review is a good opportunity to measure performance, set targets and assess any opportunities for growth. Depending on your direction, you may need to change key elements of your plan i.e. your marketing strategy, competitive advantage, vision or even your target markets.

### Improve relationships

Building and maintaining relationships

is a solid part of running a business. Minor problems with suppliers, customers, staff or community members can quickly unfold if they are not addressed in the right manner. Commit to improving your communication style by demonstrating assertiveness, providing constructive criticism and ultimately, being open and honest in all of your interactions.

### Focus on networking

Consider joining a professional networking group or new business organisation to meet like-minded individuals in your industry. A large networking circle can help you access new business opportunities, expand your knowledge within a field and raise your professional profile. Participating in networking activities and events often leads to more connections, which can help generate referrals and works on the principle of word of mouth marketing.

### Manage cash flow

Monitoring and planning cash flow is important at every stage of the

business lifecycle; even the most profitable.

Businesses can fail if too much cash is tied up. Business owners should evaluate how much working capital is needed for their day-to-day business operations and then plan ahead. Review your current invoicing system to check your account receivables are collected on time, consider cutting down on inventory and ask customers for a deposit before supplying goods. Also, be sure to have some sort of buffer to account for any unexpected expenses.

Our team are always happy to assist with business advice and tailored solutions that can provide opportunities for business owners, so give us a call to see how.



## ROCKHAMPTON

7 Archer Street  
07 4927 4588

## YEPPOON

Suite 1/16 Queen Street  
07 4939 1766

## EMERALD

Suite 2/111 Egerton Street  
07 4987 6001

## EMAIL

eea@evansedwards.com.au

[EVANSEWARDS.COM.AU](http://EVANSEWARDS.COM.AU)

## Common GST mistakes

Despite the Australian Tax Office's education campaign on GST reporting, many small business owners continue to make errors when claiming GST credits in their GST returns or Business Activity Statements.

The vast majority of errors are easily avoidable and relate to the over-claiming of GST credits. Here are the top ten common GST mistakes:

### **Residential rental property**

Incorrectly claiming GST credits on expenses relating to residential rental properties where the entity is registered for GST.

### **Bank fees**

Generally, annual fees, monthly fees and loan establishment fees are input-taxed, and therefore, there is no GST to claim. However, GST is charged on credit card merchant fees and can be claimed.

### **Private expenses**

GST is not claimable on any private expenditure, personal loans, director fees or drawings.

### **Interest**

Interest paid on loans, chattel mortgages or credit cards do not incur GST, so cannot be claimed.

### **The total cost of a business insurance policy**

Insurance policies usually include stamp duty (which is GST-free), however, the rest of the policy is subject to GST. A GST credit cannot be

claimed on the stamp duty portion of the policy as no GST is paid.

### **Government fees**

GST is not charged on government fees i.e. council rates, land tax, ASIC filing fees, motor vehicle registration and water rates, and therefore, GST credits cannot be claimed.

### **GST-free purchases**

Incorrectly claiming GST credits on purchases without GST, such as basic food items, exports and certain health services is a common mistake. Remember not all suppliers are registered for GST, so check the tax invoice before claiming a credit.

### **Entertainment expenses**

Claiming the entire GST credit on entertainment expenses where the business has elected to use the 50/50 split method for fringe benefits tax is incorrect. Only 50 per cent of the GST credits can be claimed.

### **Wages and superannuation payments**

Both wages and super do not attract GST and cannot be claimed. Wages are not an expense to be included in G11; they are to be reported in W1 in your BAS. Superannuation is not included in BAS.

### **Sole traders and partnerships**

When claiming expenses that are used for both private and business use, you must apportion the expenditure to exclude the private usage.

## Tips for improving cash flow

Maintaining appropriate cash flow is a critical component of running a successful business.

Despite this, running out of liquid capital is one of the most common reasons that small businesses fail. Monitoring cash flow and planning accordingly is important at every stage of the business lifecycle; however, it is especially critical that businesses experiencing rapid growth remain acutely aware of their cash availability.

Maintaining positive cash flow can be a struggle for many businesses, but setting realistic goals for cash flow management can help make a business profitable and generate enough cash to offset monthly expenses.

### Make it easy

Making it easy for customers to pay you on time is one of the best ways to ensure they do. Whether that involves investing in some new technology, taking your invoicing online or implementing some new payment methods, making sure it is easy for customers to pay you on time will definitely pay off in the long term.

### Use an automated follow-up system

An automated follow-up system will send recurring reminders to your accounts receivable at pre-set dates. This helps to keep track of the status of your accounts and can reduce both time and human error.

### Invoice quickly

You need to invoice your clients quickly, as there will already be a delay between them receiving the invoice and making the payment. Many businesses inadvertently shoot themselves in the foot by failing to invoice in a timely manner.



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