WINTER 2024

# BUSINESS & PROFIT MATTERS

*Strategies for managing your business*


## IN THIS ISSUE:



Embark TAX SERVICES

## A Business's Guide To Annual Leave

*Annual leave is a key right of part or full-time employment, providing workers with a paid period of rest and recuperation away from work.*

However, a lot of terminology, misconceptions and confusion may impact your employees' understanding of what they may be entitled to or what you should be providing your employees.

Let's run through this critical employment component and some common misconceptions or terminologies you may encounter in a business.

### WHO CAN RECEIVE ANNUAL LEAVE?

Annual leave is a period of paid time off work granted by employers to employees. It is designed to give workers a break from their regular duties, promoting work-life balance and overall well-being.

Full-time and part-time employees should get 4 weeks of annual leave based on their ordinary hours of work. Some businesses may provide additional annual leave based on individual employment agreements.

Shift workers may get up to 5 weeks of annual leave per year, depending on their industry and award.

### WHEN IS ANNUAL LEAVE ACCUMULATED?

Annual leave accumulates from the first day of employment, even if an employee is on probation. The leave accumulates gradually during the year, and any unused annual leave will roll over from year to year.

Annual leave accumulates when an employee is on:

- Paid leave such as:
  - » paid annual leave
  - » paid sick and carer's leave
  - » paid family and domestic violence leave
- Community service leave, including jury duty
- Long service leave.

### WHEN DOES IT NOT ACCUMULATE?

Annual leave doesn't accumulate when the employee is on:

- unpaid annual leave
- unpaid sick/carer's leave
- unpaid parental leave.

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Due to the  Australian Government's Paid Parental Leave Scheme not being considered paid leave, an employee will not accumulate annual leave while being paid by the Paid Parental Leave Scheme if the person is taking unpaid leave from their employer. Similarly, leave doesn't accumulate for a period of annual leave that has been cashed out.

## LEAVE LOADING

Leave loading can be an additional payment made to employees when they take their annual leave. It is also known as holiday loading or annual leave loading.

Paid annual leave is a minimum entitlement for Australian employees but leave loading is not. Your entitlement to leave loading will depend on your award or agreement. Most modern Awards include leave loading.

It is typically a percentage of the employee's standard pay rate and is meant to compensate for the loss of potential earnings such as overtime, bonuses, and other allowances that might not be available during the leave period.

In general, the leave loading rate is usually around 17.5% on top of your annual leave pay.

## CAN A REQUEST FOR ANNUAL LEAVE BE DENIED?

While annual leave is a statutory right, employers do have the discretion to deny leave requests under certain circumstances. Some common reasons for denial include:

1. **Operational Requirements:** Employers may deny leave if the employee's absence would significantly impact business operations. This is particularly relevant during peak periods or when there is a staff shortage.
2. **Notice Periods:** Employees are usually required to provide advance notice when requesting leave. Failure to comply with these notice periods can be grounds for denial.
3. **Insufficient Leave Balance:** Requests from employees who have not accrued sufficient leave or who have already exhausted their leave entitlement may be denied.
4. **Scheduling Conflicts:** If multiple employees request leave simultaneously and granting all requests would hinder operations, the employer may need to deny some requests.
5. **Performance and Compliance Issues:** In some cases, employers might deny leave if the employee has pending work or compliance issues that need addressing before they can take time off.

## CAN EMPLOYEES CHOOSE TO BE PAID OUT FOR THEIR ANNUAL LEAVE INSTEAD OF TAKING IT?

Annual leave can only be cashed out if permitted by a registered agreement.If your employee is covered by a registered agreement, review it to determine if leave can be cashed out.

Certain rules apply when cashing out annual leave:

- The employee must retain at least 4 weeks of annual leave after cashing out.
- A written agreement must be made each time annual leave is cashed out.
- An employer cannot force or pressure an employee to cash out annual leave.
- The payment for cashed-out annual leave must be the same as what the employee would have received if they had taken the leave.

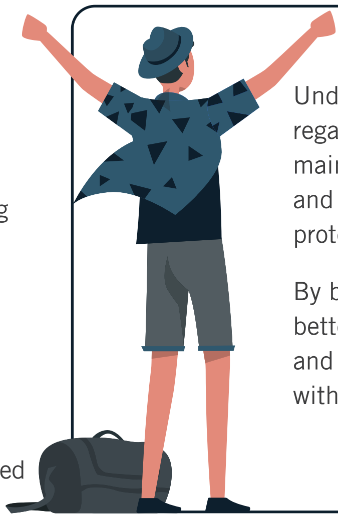
An award and agreement-free employee can make an agreement with their employer to cash out their annual leave if:

- The agreement is in writing
- The employer pays the employee the same amount the employee would get if they had taken the leave
- The employee has at least 4 weeks left in their leave balance after the rest is cashed out.

## WHAT HAPPENS TO ANNUAL LEAVE IN THE EVENT OF TERMINATION OR RESIGNATION

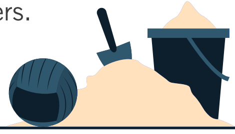
When an employment relationship ends, either through termination by the employer or resignation by the employee, there are specific protocols regarding unused annual leave:

1. **Payout of Unused Leave:** Most employment laws require that any accrued but unused annual leave be paid out to the employee upon termination. This payout is typically calculated based on the employee's standard rate of pay plus any applicable leave loading.
2. **Pro-rata Entitlements:** Employees who have not yet reached their annual leave accrual date but have earned a portion of their leave entitlement (pro-rata) are usually entitled to a payout for this portion.
3. **Resignation:** Employees who resign are entitled to the same treatment regarding their accrued annual leave as those who are terminated. They will receive a payout for any accrued but unused leave days.



Understanding your entitlements regarding annual leave is crucial for maintaining a healthy work-life balance and ensuring your employee's rights are protected and complied with.

By being informed, employees can better navigate their leave entitlements and address any issues that may arise with their employers.



# The Super Guarantee Has Increased – Make Sure You're Compliant!

1 JULY 2024
11.5 %

*The superannuation guarantee rate has increased again as part of the scheduled increments continuing through 2025.* ***Effective from 1 July 2024, the rate is now 11.5% for the 2024-25 financial year.***

These incremental increases offer businesses a manageable framework, allowing for gradual adjustments and continual strategising of their payroll and compliance management.

### SUPERANNUATION GUARANTEE CONTRIBUTIONS (SGC) OBLIGATIONS

Businesses must understand their obligations under the superannuation guarantee (SGC).

Employers must contribute to the superannuation funds of all eligible employees, including full-time, part-time, and casual workers over 18. Individuals under 18 and private domestic workers, such as nannies, who work more than 30 hours a week, are also entitled to SGC.

Certain contractors may also be eligible for superannuation contributions.

Compliance with superannuation regulations goes beyond just knowing who is eligible.

Employers must accurately calculate superannuation contributions based on employees' ordinary time earnings. Failing to comply can result in a super guarantee charge, emphasising the need for diligent payroll management.

### SEEKING GUIDANCE FOR EFFECTIVE MANAGEMENT

For businesses facing the complexities of payroll and regulatory changes, seeking guidance from trusted advisors is essential. An experienced partner can provide expert support, helping businesses stay informed about regulatory updates and implement effective payroll management strategies.

As the superannuation landscape continues to change, businesses must adopt a strategic approach to manage these adjustments effectively. Proactive planning, meticulous compliance, and seeking guidance from trusted advisors will position businesses for success in navigating the evolving world of superannuation.

By embracing these strategies, businesses can ensure they meet their obligations while supporting their employees' future financial security. Need assistance? Speak with a trusted, licensed advisor.

# National Minimum Wage Increase Effective From 1 July 2024

1 JULY 2024
3.75 %

***Starting 1 July 2024, the National Minimum Wage in Australia will increase by 3.75%.*** *This adjustment is part of the ongoing efforts to ensure workers' fair compensation and keep pace with living costs.*

### NEW WAGE RATES

With this increase, the new National Minimum Wage will be:

- **$915.90 per week** (based on a standard 38-hour work week)
- **$24.10 per hour**

### IMPLEMENTATION DATE

The new wage rates will take effect from the first full pay period on or after 1 July 2024. For instance, if your weekly pay period starts on a Wednesday, the new rates will apply starting from Wednesday, 3 July 2024.

### WHO IS AFFECTED?

The National Minimum Wage applies to employees who are not covered by an award or registered agreement. It sets the baseline pay rate that employers must adhere to for these workers.

### COMPLIANCE AND CONSIDERATIONS

Employers must ensure they are compliant with the new wage rates by the specified date. Failure to do so can result in penalties and back-pay obligations. Here are a few steps employers can take to ensure compliance:

1. **Review Payroll Systems:** Update payroll systems to reflect the new rates from the first full pay period on or after 1 July 2024.
2. **Communicate with Employees:** Inform affected employees about the wage increase and how it will be implemented.
3. **Adjust Budgets:** Consider the impact of the wage increase on your business's financial planning and adjust budgets accordingly.
4. **Monitor Compliance:** Ensure all relevant employment contracts are updated to reflect the new minimum wage where applicable.

### IMPORTANCE OF THE INCREASE

This increase in the National Minimum Wage is essential for supporting the financial well-being of low-paid workers. It helps ensure that wages keep pace with inflation and the rising cost of living, providing many Australians with a more sustainable standard of living.

By staying informed and proactive, employers can ensure they meet their obligations and support fair and equitable compensation for their workforce. This increase in the National Minimum Wage is a positive step towards maintaining fair work standards nationwide.

# 10 New Financial Year Resolutions For Your Business

*As the new financial year begins in Australia, businesses have a fresh opportunity to set goals and strategies that can drive growth, improve efficiency, and enhance overall performance. Just as individuals make New Year's resolutions, businesses can benefit from establishing financial year resolutions to guide their operations. Here are some key resolutions that Australian businesses can adopt to ensure a successful year ahead.*

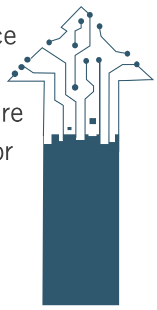
## 1 REVIEW AND REVAMP FINANCIAL GOALS

Start the new financial year by reviewing your financial goals. Assess the previous year's performance, identify areas for improvement, and set realistic targets. This might include increasing revenue, reducing expenses, or improving profit margins. Establishing clear, measurable financial goals provides a roadmap for the year ahead and helps keep the business focused and motivated.

## 2 ENHANCE CASH FLOW MANAGEMENT

Effective cash flow management is crucial for business sustainability. Review your cash flow statements regularly to ensure you have a clear understanding of your financial position. Implement strategies to improve cash flow, such as negotiating better payment terms with suppliers, incentivising early payments from customers, and managing inventory levels efficiently. Adequate cash flow enables businesses to meet obligations and seize growth opportunities.

## 3 INVEST IN TECHNOLOGY



Technology can significantly enhance business operations. Evaluate your current technology infrastructure and identify areas where upgrades or new tools could improve efficiency and productivity. Investing in cloud computing, accounting software, customer relationship management (CRM) systems, and cybersecurity measures can streamline processes, reduce costs, and protect against data breaches.

## 4 FOCUS ON EMPLOYEE DEVELOPMENT

Employees are a business's most valuable asset. Investing in their development not only improves their skills but also boosts morale and retention. Offer training programs, workshops, and career development opportunities to help your team grow. Encourage a culture of continuous learning and support employees in achieving their professional goals.

## 5 STRENGTHEN CUSTOMER RELATIONSHIPS

Building and maintaining strong customer relationships is essential for long-term success. Use the new financial year to enhance your customer service practices. Implement customer feedback systems to understand their needs better and make improvements based on their suggestions. Personalise your interactions and communications to build loyalty and trust.

## 6 IMPROVE SUSTAINABILITY PRACTICES

Sustainability is becoming increasingly important to consumers and stakeholders. Evaluate your current practices and identify ways to reduce your environmental impact. This might include reducing waste, improving energy efficiency, and sourcing sustainable materials. Implementing sustainable practices can enhance your brand image and attract environmentally conscious customers.

## 7 AUDIT AND OPTIMISE MARKETING STRATEGIES

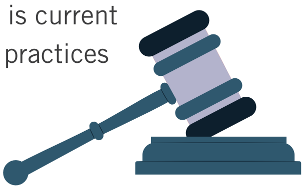
Effective marketing is crucial for business growth. Conduct a thorough audit of your current marketing strategies to determine what's working and what needs improvement. Explore new marketing channels and techniques, such as social media marketing, content marketing, and search engine optimisation (SEO). Set clear marketing goals and track your performance to ensure your efforts are yielding results.

## 8 ENHANCE RISK MANAGEMENT

Every business faces risks, from financial uncertainties to cybersecurity threats. Develop a comprehensive risk management plan to identify potential risks and outline mitigation strategies. Regularly review and update your risk management practices to ensure they remain effective in the face of evolving challenges.

## 9 FOCUS ON COMPLIANCE

Staying compliant with regulations is crucial to avoid legal issues and penalties. Use the new financial year as an opportunity to review your compliance with tax laws, employment regulations, and industry standards. Ensure all your documentation is current and that your business practices align with current legal requirements.



## 10 PLAN FOR INNOVATION

Innovation is key to staying competitive in today's fast-paced business environment. Encourage a culture of innovation within your organization. Set aside time and resources for research and development (R&D) and encourage employees to contribute ideas. Embracing innovation can lead to new products, services, and processes that drive growth and differentiation.

The start of a new financial year is the perfect time for businesses to reflect on their past performance and set resolutions that pave the way for future success.

By focusing on financial goals, cash flow management, technology, employee development, customer relationships, sustainability, marketing, risk management, compliance, and innovation, businesses can position themselves for a prosperous year ahead.

Adopting these resolutions can lead to improved efficiency, stronger financial health, and sustained growth. Need help with your business in the new financial year? Speak with a trusted business adviser.

# 7 Common Misconceptions Held By Businesses At Tax Time

*Tax time can be a challenging period for businesses, filled with complex rules and deadlines.*

For many businesses, this time of the year can be filled with misconception pitfalls, potentially leading to errors and financial penalties.

Let's debunk some common myths and help businesses navigate tax season more effectively.

### MISCONCEPTION 1: ALL BUSINESS EXPENSES ARE DEDUCTIBLE

Many business owners believe any expense incurred in running their business is tax-deductible. However, the reality is more nuanced. Only expenses that are both "ordinary and necessary" for the business operation qualify as deductions. For instance, extravagant client entertainment or personal expenses disguised as business costs may not be deductible. Understanding the distinction between deductible and non-deductible expenses is crucial to avoid issues with tax authorities.

### MISCONCEPTION 2: FILING EXTENSIONS PROVIDE MORE TIME TO PAY TAXES

A common misconception is that filing for an extension also extends the time to pay any taxes owed. In reality, an extension only gives you more time to file your tax return, not to pay any taxes due. Interest and penalties can accrue on any unpaid taxes after the original due date. Businesses should estimate their tax liability and pay what they owe by the original deadline to avoid additional costs.

### MISCONCEPTION 3: SMALL BUSINESSES DON'T NEED TO WORRY ABOUT AUDITS

Many small business owners assume they are less likely to be audited due to their size. While it's true that larger corporations are often scrutinised more closely, small businesses are not immune from audits. In fact, certain red flags, such as consistently reporting losses, large charitable donations relative to income, or substantial deductions, can increase the likelihood of an audit. Keeping accurate records and being prepared in case of an audit is essential.

### MISCONCEPTION 4: MIXING PERSONAL AND BUSINESS FINANCES IS ACCEPTABLE

Some business owners believe mixing personal and business finances is harmless, especially in sole proprietorships. However, this can lead to significant tax and legal complications. It's important to maintain clear boundaries between personal and business expenses. Using separate bank accounts and credit cards for business transactions helps keep accurate records and simplifies the process of claiming deductions and managing audits.

### MISCONCEPTION 5: DIY TAX FILING IS ALWAYS CHEAPER

While handling tax filing on your own might seem cost-effective, especially for small businesses, this can be a false cost-saver. Tax laws are complex and constantly changing. Missing out on deductions, credits, or making errors can be more costly in the long run. Professional tax advisers or accountants can help ensure compliance, maximise deductions, and ultimately save money.

### MISCONCEPTION 6: YOU ONLY NEED TO WORRY ABOUT TAXES ONCE A YEAR

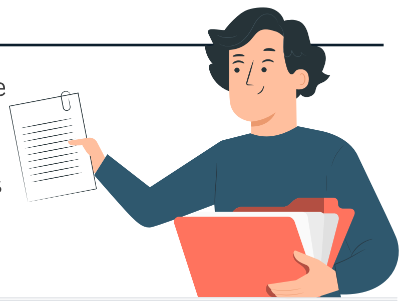
Some businesses treat tax planning as a once-a-year activity. However, effective tax management requires ongoing attention. Regularly reviewing financial statements, keeping up with tax law changes, and consulting with tax professionals throughout the year can help make strategic decisions that minimise tax liability and avoid year-end surprises.

### MISCONCEPTION 7: ALL TAX SOFTWARE IS CREATED EQUAL

Believing that all tax software is the same can lead to underestimating your business's needs. While many tax software options offer robust features, they might not all suit your specific business situation. Choosing software that caters to your business size, industry, and specific needs is vital for accurate and efficient tax filing.

Understanding and addressing these common misconceptions can help businesses navigate tax time more effectively, avoiding costly errors and penalties.

By keeping thorough records, maintaining clear distinctions between personal and business finances, seeking professional advice, and engaging in year-round tax planning, businesses can ensure they meet their tax obligations while optimising their financial health.



# Business Diversification In The New Financial Year - Is It For You?

*In the business world, "Don't put all your eggs into one basket" is sage advice. But is it advice that's suitable for you and your business?*

Diversification—expanding into new products, services, or markets—can reduce risk and open new revenue streams, enhancing profitability.

But how could your business use this to your advantage in the new financial year?

### UNDERSTANDING DIVERSIFICATION

Diversification involves broadening a company's offerings or market presence to minimise reliance on a single product, service, or market. Key forms include:

1. **Product Diversification:** Adding new products or variations to cater to customer needs.
2. **Service Diversification:** Introducing or enhancing services to attract a wider customer base.
3. **Market Diversification:** Entering new geographic or demographic markets to expand reach.

### BENEFITS OF DIVERSIFICATION

1. **Risk Reduction:** Spreads risk across multiple products, services, or markets, safeguarding the business if one area underperforms.
2. **New Revenue Streams:** Attracts different customer segments and provides access to larger markets, increasing overall sales and financial stability.
3. **Competitive Advantage:** Differentiates the business by offering unique products or services and entering less competitive markets.
4. **Increased Market Share:** Appeals to a broader audience, capturing a larger market portion and enhancing brand visibility.
5. **Innovation and Growth:** Encourages new skills and technologies development, driving long-term growth and profitability.
6. **Enhanced Financial Performance:** Leads to more stable financial outcomes with multiple revenue sources contributing to the bottom line.

### IMPLEMENTING DIVERSIFICATION EFFECTIVELY

1. **Conduct Market Research:** Understand potential new customers, market trends, and competition to identify opportunities and mitigate risks.
2. **Leverage Core Competencies:** Use existing strengths and expertise when diversifying to ensure a smoother transition and greater success.
3. **Start Small:** Test diversification initiatives on a small scale to evaluate feasibility without significant resource commitment.
4. **Monitor and Adjust:** Regularly assess performance and be flexible in making necessary adjustments based on feedback and market conditions.
5. **Seek Expertise:** Get advice from industry experts or consultants to gain valuable insights and guidance on diversification strategies.

Diversification can be a strategic approach to enhance business profit by reducing risk and opening new revenue streams. However, it's important to note that diversification needs to make sense for your business. For example, it might not make sense to sell coffee mugs alongside your services as an electrician, but it would if you were a coffee shop owner!

Through careful planning and market research, businesses can effectively diversify their offerings or market presence, ensuring sustained profitability and growth in a dynamic market landscape.

# Tackling Your Business Debt In The New Financial Year

*Managing business debt effectively is essential for maintaining financial health and ensuring the sustainability of your business.*

Whether you're dealing with short-term loans or long-term liabilities, having a solid debt management strategy can help you navigate financial challenges and support business growth.

Debt can be a double-edged sword. It's crucial to distinguish between good debt and bad debt, as each can have vastly different impacts on your business's financial health and growth potential. Here's a closer look at how to identify and manage these types of debt effectively.

### WHAT IS GOOD DEBT?

Good debt has the potential to support your business's growth and enhance its ability to generate wealth. It occurs when borrowed money is used to purchase assets or make investments that generate income or appreciate in value.

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As a rule of thumb, good debt generates more value than it costs. It allows you to expand by financing essential business components, such as equipment, premises, skilled employees, and marketing initiatives.

### WHAT IS BAD DEBT?

Bad debt, on the other hand, can hinder your business's operations and growth.

Bad debt affects your bottom line, disrupts day-to-day operations by straining cash flow, and can constrain growth, potentially threatening the survival of your business.

### MANAGING DEBT WISELY

Even good debt can turn into bad debt if not carefully managed. Here are some strategies to ensure your debt remains a tool for growth rather than a financial burden:

- Plan for Repayment: Always have a clear plan for repaying any debt you take on. This should include timelines and strategies for managing payments effectively.
- Prioritise High-Interest Debt: Focus on paying off the more expensive forms of good debt before addressing lower-interest debts. This can save you money on interest in the long run.
- Monitor and Control Debt Levels: Regularly review your debt situation to ensure it aligns with your business goals and financial health. Avoid taking on excessive debt that could become unmanageable.

### TIPS FOR MANAGING BUSINESS DEBT

1. Create a Detailed Debt Inventory
   » List all your debts, including the creditor's name, outstanding balance, interest rate, monthly payment, and due date. This comprehensive overview helps you understand your total debt burden and prioritise payments.
2. Prioritise High-Interest Debt
   » Focus on paying off debts with the highest interest rates first. This strategy, the avalanche method, can save you money on interest payments over time.
3. Consolidate Debt
   » Consider consolidating multiple high-interest debts into a single loan with a lower interest rate. Debt consolidation simplifies your payment process and can reduce your monthly payment burden.
4. Set Up Automatic Payments
   » Enroll in automatic payments to ensure you never miss a due date. Timely payments prevent late fees and help maintain a positive relationship with your creditors.
5. Cut Unnecessary Expenses
   » Review your business expenses and identify areas where you can cut costs. Redirect the savings towards paying down your debt faster.
6. Increase Revenue Streams
   » Explore ways to boost your income, such as launching new products or services, expanding your market, or increasing prices. Additional revenue can help you manage debt more effectively.

### HOW TO NEGOTIATE WITH CREDITORS

1. Prepare Your Case
   » Gather all relevant financial documents and have a clear understanding of your financial situation before contacting creditors. Know exactly what you need, whether it's a lower interest rate, reduced monthly payments, or an extended repayment period.
2. Communicate Early
   » Don't wait until you're in financial distress to contact your creditors. Early communication demonstrates responsibility and increases the likelihood of favorable terms.
3. Be Honest and Transparent
   » Explain your situation honestly and provide a realistic plan for repayment. Transparency builds trust and makes creditors more willing to negotiate.
4. Propose a Solution
   » Offer a specific proposal that outlines how you plan to repay the debt. Creditors are more likely to agree to a well-thought-out plan that shows you're committed to resolving the debt.
5. Get Agreements in Writing
   » Once an agreement is reached, ensure all terms are documented in writing. This protects both parties and provides a reference if disputes arise.
6. Consider Professional Help
   » If negotiations become complex or overwhelming, consider hiring a debt management professional or attorney who specialises in business debt.

Effective debt management is crucial for your business's financial stability and growth, particularly as you venture into a new financial year.

You can navigate financial challenges more effectively by implementing strategies to manage debt, negotiating with creditors, and actively working to improve your credit score.

Remember, proactive and strategic debt management helps maintain your business's financial health and positions your business for future success. If you need assistance, why not ask us how we can help you?